

PARK CITY MUNICIPAL CORPORATION, UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**(Including Single Audit, Internal Control and Compliance Reports
and Supplemental Information)**

for fiscal year ended June 30, 2005

**Prepared by:
Finance Department**

**Lori W. Collett
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Accounting Manager**

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Analyst**

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Analyst**

PARK CITY MUNICIPAL CORPORATION, UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT

June 30, 2005

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**INTRODUCTORY
SECTION**

Park City Municipal Corporation





Finance

October 21, 2005

To the Honorable City Council, Honorable Mayor and Citizens of Park City, Utah:

These financial statements have been prepared by the Park City Municipal Corporation Finance Department in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

The City's management is responsible for the accuracy of the report, as well as the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the report is complete and accurate in all material respects. In order to have a basis to rely on for management to make these representations, the City maintains a comprehensive system of internal controls designed to provide reasonable, but not absolute, assurance against loss of assets or material misstatement in the financial statements. This level of assurance is an inherent limitation in a system of internal controls because they should be cost-effective, i.e. the cost of such controls should not exceed the related benefit.

The financial statements contained in this report have been audited by Wisan, Smith, Racker & Prescott, LLP, a firm of licensed certified public accountants. The objective of this type of examination is for the independent auditors to render an opinion, with reasonable assurance, as to whether the financial statements of Park City Municipal Corporation for the fiscal year ended June 30, 2005 are fairly presented and free of any material misstatement. Audit procedures included extensive testing and analysis of transactions, balances and systems. The unqualified ("clean") opinion on the financial statements signed by Wisan, Smith, Racker & Prescott, LLP is located at the beginning of the financial section.

Additionally, Wisan, Smith, Racker & Prescott, LLP audited the compliance requirements of the City's federal and state grant programs for the year ended June 30, 2005 as part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis* (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The CAFR consists of four parts. The **Introductory Section** includes an organizational chart and this transmittal letter. The **Financial Section** includes the independent auditors' report, *Management's Discussion and Analysis*, the financial statements and related notes. Also contained in the financial section is the Supplementary Information. The Supplementary Information includes balance sheets and income statements for nonmajor governmental funds, internal service funds, as well as other budgetary information. The **Statistical Section** includes several schedules of unaudited data, depicting the financial history of the City, demographics and other selected information about the City. The **Single Audit, Internal Control and Compliance Reports** include the independent auditors' reports on internal control and compliance as required by *Government Auditing Standards*, Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and state compliance as required by the *State of Utah Legal Compliance Audit Guide*.

Profile of Park City Municipal Corporation, Utah: Park City Municipal Corporation is a municipal corporation governed by an elected mayor and five-member council. The City was chartered March 15, 1884, under the provisions of the Utah Territorial Government and the City operates under a council-manager form of government. Policy-making and legislative authority are vested in the governing council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments. The council and mayor are elected on a non-partisan basis. Council members and the mayor serve four-year staggered terms. Elections are held every odd year.

The City provides many municipal services including: police, parks, recreation, library, water, public improvements, streets, planning, zoning, golf course, transportation and parking, and administrative services. This report includes the financial statements of the funds required to report on those activities, organizations and functions which are related to the City and are controlled by or financially accountable to the City's governing body, the City Council. The Park City Municipal Building Authority, the Park City Redevelopment Agency, the Park City Housing Authority and the Park City Water Service District are chartered under Utah law as separate governmental entities. However, this report includes the financial statements of these entities, since the City Council is the appointed board for all four agencies, and they are financially accountable to the City.

The State of Utah, Summit County, Wasatch County, Park City School District, Park City Fire Protection District, Snyderville Basin Special Recreation District and Snyderville Basin Water Reclamation District are overlapping governments that provide services to City residents; however, they are separately controlled, and they are not financially accountable to the City; therefore, they are not included in this report.

Budgetary Control: The City Council is required to adopt a final budget by no later than June 22 of the fiscal year. This annual budget serves as the foundation of the Park City Municipal Corporation's financial planning and control. Budgets are prepared for all governmental fund types including the general fund, capital improvements funds and debt service funds. The City Council approves all City budgets at the department level (general government, public safety, public works and recreation and library). Budgetary control is maintained at the department level where expenditures may not legally exceed appropriations. Department heads may make transfers within a department. The City Council may amend the budget by resolution during the budget year but must hold a public hearing to increase a governmental fund's budget before it can pass the resolution.

Local Economy: Park City is located in Summit County, Utah in the heart of the Wasatch Mountains, 30 miles east of Salt Lake City, and 45 minutes by freeway from the Salt Lake International Airport. In 1869, silver-bearing quartz was discovered in the area of what is now Park City and a silver mining boom began. From the 1930s through the 1950s, the mining boom subsided due to the decline of silver prices, and Park City came very close to becoming an historic ghost town. During that time, the residents began to consider an alternative to mining and began developing Park City into a resort town. Today Park City is a year-round resort community with world-renowned skiing as the center of activity. The State of Utah as a whole is experiencing an increase in destination skiers since the 2002 Olympic Winter Games. Skiing is complemented throughout the year with other major events such as the Sundance Film Festival. Park City works cooperatively with the Park City Chamber of Commerce to successfully promote Park City as a year round recreational area. Some of the promotional events include mountain biking, weekly festival events, an international jazz festival, summer concert series, athletic events such as softball, rugby, and volleyball tournaments, hot air balloon rides and golfing.

Skier days at the City's three main resorts, Park City Mountain Resort, Deer Valley Resort and The Canyons Resort, have increased significantly for the past five years except during the 2001-02 season, the year of the Olympic Winter Games. Skier days have increased 52.0 percent in the past decade for the Park City area resorts. Promoting tourism and the ski industry are objectives for the City as well as for the State of Utah. Park City resorts claimed 41.3 percent of the total Utah skier day market share during the 2004-05 ski season. With the local economy dependent on tourism and skiing, employment in Park City tends to decline in the spring and summer months. Park City hopes to mitigate this by diversifying recreational activities in the "off-season".

Deer Valley Resort hosted the Merrill Lynch Celebrity Ski Classic in December 2004 and will host another FIS Freestyle World Cup event in January 2006. The Park City Mountain Resort, which was acknowledged by readers of *Transworld Snowboarding Magazine* as the "best park" in North America for a second year in a row, has been the site of the America's Opening, and other Pro-Cup racing events since 1986 and will host the World Superpipe Championship and the Chevrolet Freestyle Junior Olympics in March 2006. Both Deer Valley and Park City Mountain Resort continue to rate in the top-ten of North American ski resorts. In fact, Deer Valley and Park City Mountain Resort ranked number two and number eight, respectively, in a 2005 resort review in *Ski* magazine. Now in its eighth season, The Canyons continues its dynamic transformation into the largest single ski and snowboarding resort in Utah, and one of the five largest in the nation. Total skier days in Utah for the 2004-05 season were 3,895,578, up 12.0 percent from the previous year. Total skier days in Park City resorts were 1,608,332, up 11.8 percent from the previous year.

The Census Bureau shows Park City's permanent population at 7,882 in 2005. However, the service population is much larger due to the number of secondary homeowners and visitors within Park City. The City has approximately 126 restaurants, 303 shops, 25 private art centers and a community-sponsored art center. Many of Park City's restaurants are award winning and among the finest in the inter-mountain west. The Chamber of Commerce estimates that the City has a nightly capacity for 25,133 guests. On average, the City receives almost 8,000 visitors per night which translates to an occupancy rate of 31.8 percent. The Sundance Film Festival will make its 26th annual appearance in Park City in January 2006. Sundance and Park City Municipal Corp. have formerly agreed that Park City will remain festival headquarters through the 2008 film festival. The festival presents high quality, independent films. Nationally known actors, directors, writers and other members of the film industry conduct and attend workshops, classes, seminars, dinners and premiers which are open to the general public. It is estimated by the Sundance Institute that 31,430 out-of-state guests attended the festival last year. Total spending in Summit County was approximately \$36.5 million during the festival. The Kimball Arts Center sponsored its 36th annual two-day Park City Arts Festival in August 2005. The Park City Arts Festival is Utah's original, oldest and longest running visual arts festival. This event attracts over 40,000 visitors over the two-day period and features over 200 of North America's top artists.

Closely connected to the tourist and ski industries in Park City is the real estate industry. During the past ten years, building activity within the City has gone from a low of \$51.0 million in 2002, because the Winter Olympic Games slowed the pace of construction, to a high of \$119.0 million in 1999. Building activity over the last decade has averaged \$86.0 million. In 2005 (January through June), approximately 78.8 percent of the \$48.2 million in building activity has been in residential construction and 21.2 percent in commercial construction. The residential construction total valuation of approximately \$38.0 million consisted of both single and multi-family homes. Easy access to Salt Lake City has intensified the role for Park City as a bedroom community. This role and the current economy have shifted emphasis to the construction of residential homes. The State of

Utah has experienced an increase in residential new home construction with last year ranking second as an all time high.

According to the latest statistics by Commercial Real Estate Services, residential lots in Park City range from an average of \$361,000 in the Prospector area to an average of more than \$2,819,642 for lots in Empire Canyon. Recent sales of condominiums in the secondary market indicate a distinct price appreciation. Condominiums range in average price from \$160,335 to \$2,312,691 depending upon location. Depending upon the area, single-family homes range from an average price of \$568,730 to \$5,383,333.

Park City's debt service expenditures have increased in amount and as a percentage of total expenditures during the past decade. This is due to the issuance of \$24.0 million of general obligation bonds series 1999, 2000, 2003 and 2004 as well as the sales tax revenue bonds issued in 2005 for \$20.0 million in bond proceeds. General government expenditures have also increased 7.8 percent since 1995. Most of this increase occurred after a citywide re-organization in fiscal year 2004 that resulted in more of the City's functions being accounted for in the general government function.

Revenues have been steadily increasing for Park City in the past ten years with no revenue source significantly changing as a percentage of total revenue. Taxes account for roughly 53.1 percent of total revenue in fiscal year 2005.

Major employer-types in the City include: accommodation and food service, arts/entertainment and recreation, retail trade, real estate, technical services, and government. Unemployment data was unavailable for Park City, however the current Summit County unemployment rate is estimated at 5.3 percent.

Long-term Financial Planning: The fiscal year 2005 ending general fund balance of \$3.2 million (14.9 percent of actual revenue) is \$0.3 million below the State mandated maximum reserve level for cities of 18.0 percent. In addition to the ending general fund balance, the City plans on maintaining a minimum of \$4.0 million in undesignated fund balance in the capital improvements fund. The fiscal year 2005 ending undesignated fund balance for the capital improvements fund was \$5.4 million.

The City's bond rating of AA- by Standard and Poor's and Fitch and Aa3 by Moody's is high by resort community standards. A bond rating of AA- (AAA is generally the highest rating) indicates that Park City as an issuer offers "excellent financial security."

Major Initiatives: Park City is currently involved with many water projects in various stages of construction. Due to more stringent regulations on arsenic levels by the Environmental Protection Agency (EPA), an upgrade in the Spiro water treatment plant was needed. This \$2.5 million project took place in two phases, the second of which was completed in July of 2005. The facility now exceeds EPA standards and is well ahead of most water systems by meeting the standards almost two years before the EPA deadline was set. Projects are also scheduled for the Park Meadows Well and the Judge Tunnel. Both of these projects involve upgrading or constructing water treatment facilities for water that has been contaminated with surface water. The Park Meadows Well project

will have an estimated cost of almost \$1.0 million and is scheduled for completion in 2006. The Judge Tunnel water treatment will be a new facility completed in 2007 and has an estimated cost of \$4.0 million. All of these projects are funded through water revenue bonds and water impact fees. The Judge Tunnel project is also funded through federal grants.

Several large capital projects are on the horizon or are currently underway. The construction of a new police facility is expected to begin in the summer of 2006. Funding for the \$3.5 million project is provided through sources such as public safety impact fees and sales tax revenue bond proceeds. A new ice rink and fields recreation complex will be completed in the summer of 2006; however, the ice rink phase is scheduled to be open in February of 2006. This project has an estimated construction cost of \$9.8 million. Major revenue sources for the recreation complex construction costs are \$2.5 million of general obligation bond proceeds from the City and \$2.0 million of general obligation bond proceeds from the Snyderville Basin Special Recreation District, City sales tax revenue bond proceeds, recreation impact fees and county grants. Finally, two projects are scheduled for Park City downtown improvements. The expanded parking structure on Swede Alley is currently under construction and is scheduled to be completed by the end of 2005. Construction on the Town Plaza near City Hall should begin in the spring of 2007. The funding for the \$6.4 million parking structure and the \$2.5 million Town Plaza is provided through sales tax revenue bond proceeds.

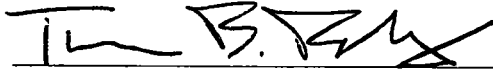
Awards and Acknowledgements: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to Park City Municipal Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last eighteen consecutive years, fiscal years 1987-2004. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

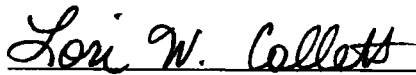
Park City Municipal Corporation also received the Distinguished Budget Presentation Award from the GFOA for the City's adopted budget for the fiscal year ended June 30, 2003. The City has won this award for fiscal years 1992 and 1993 and the bienniums beginning 1993, 1997, 1999 and 2001. In order to qualify for the award program, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the staff of the Finance and Accounting Department. We would like to express our appreciation to Wisan, Smith, Racker & Prescott, LLP, certified public accountants, for their professional service and assistance. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'T. B. Bakaly', written over a horizontal line.

Thomas B. Bakaly - City Manager

A handwritten signature in black ink, appearing to read 'Lori W. Collett', written over a horizontal line.

Lori W. Collett - Finance Manager

PARK CITY MUNICIPAL CORPORATION, UTAH

Park City Municipal Building
445 Marsac Avenue
Park City, Utah 84060

MAYOR AND CITY COUNCIL AS OF JUNE 30, 2005

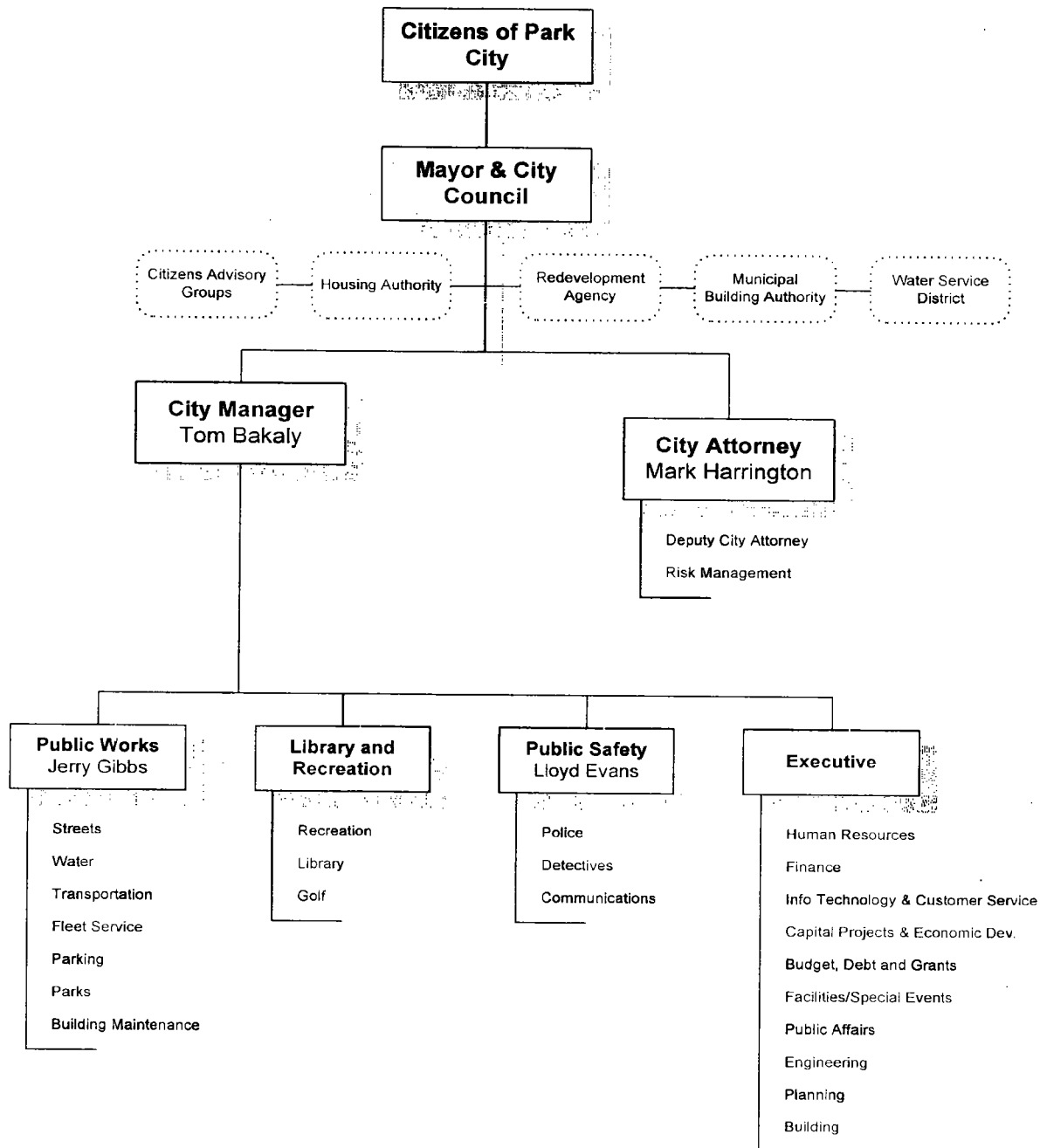
Name	Term Expires
Mayor	
Dana Williams <i>2384 Doc Holiday Drive Park City, Utah 84060</i>	January 2006
Councilors	
Kay Calvert <i>PO Box 4497 1505 Crescent Road Park City, Utah 84060</i>	January 2006
Jim Hier <i>2599 Morning Sky Court Park City, Utah 84060</i>	January 2006
Candace Erickson <i>PO Box 3364 2614 Little Kate Road Park City, Utah 84060</i>	January 2008
Marianne Cone <i>PO Box 161 86 Prospect Avenue Park City, Utah 84060</i>	January 2008
Joe Kernan <i>PO Box 680182 1970 Stryker Avenue Park City, Utah 84060</i>	January 2008

Thomas B. Bakaly, City Manager
Mark Harrington, City Attorney
Lori W. Collett, Finance Manager

PARK CITY MUNICIPAL CORPORATION, UTAH

ORGANIZATIONAL CHART

FY2004-2005



The above organizational structure also accurately depicts the Park City Redevelopment Agency and the Park City Municipal Building Authority structure.

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Park City
Municipal Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Nancy L. Zelle

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

**Honorable Mayor and Members of the City Council
Park City Municipal Corporation, Utah**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park City Municipal Corporation, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park City Municipal Corporation, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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SALT LAKE CITY, UTAH 84101
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MEMBER
UTAH ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 4 through 20 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Salt Lake City, Utah
October 21, 2005

Wesley Smith, Partner & President LLP

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PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2005

The following narrative is presented to facilitate a better understanding of the City's year-end financial position and results of operations for the year ended June 30, 2005. When read in conjunction with the letter of transmittal and the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The City's government-wide net assets (the amount by which assets exceed liabilities) as of June 30, 2005 were \$177,914,231. Of this amount \$33,953,064 (unrestricted net assets) is available to meet ongoing financial obligations.
- The City's government-wide net assets increased by \$14,165,297. Of this amount, business-type activities increased by \$3,717,850, a rise of 9.2 percent, and the governmental activities increased by \$10,447,447 a rise of 8.5 percent when compared to last fiscal year.
- The City's governmental funds reported combined ending fund balance of \$68,281,107, an increase of \$25,479,237 (59.5 percent) compared to the beginning of year fund balance amount. Of the combined total fund balance, \$13,038,335 is available for spending at the discretion of the City (unreserved and undesignated fund balance).
- The General Fund is the primary operating fund of the City. The unreserved and undesignated fund balance of the General Fund at June 30, 2005 totaled \$3,216,779 and is 14.9 percent of the General Fund total revenues for the year and 24.7 percent of total governmental unreserved and undesignated fund balance.
- The City's total debt increased by \$17,081,746 during fiscal year 2005. This represents a 46.5 percent increase over the prior year, which is attributable to the net effect of the normal reduction in principal balances from required debt service payments, the retirement of a contract payable, the refunding of the MBA 1996 and MBA 1999 Revenue Bonds offset by the issuance of \$9,000,000 in General Obligation Bonds and \$20,000,000 in Sales Tax Revenue and Refunding Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report includes four parts: 1) the independent auditor's report; 2) this segment, management's discussion and analysis; 3) the basic financial statements; and 4) supplementary information. Within the basic financial statements are two distinct types of financial statements, 1) the government-wide financial statements, and 2) the fund financial statements. The notes to the financial statements are also an integral part of the basic financial statements. The government-wide view of the City's finances is a requirement under Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which creates a new financial reporting model for all state and local governments, and became effective for the City for fiscal year 2003. Fund financial statements have been reported in the past.

Immediately following the notes to the financial statements, the supplementary information includes balance sheets and income statements for nonmajor governmental funds, internal service funds, as well as other budgetary information.

Government-wide Financial Statements: The government-wide financial statements provide a view of City finances as a whole, similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The **Statement of Net Assets** includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) is probably the most important financial measurement to enable understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors such as changes in the property tax base, the condition of the City's infrastructure, etc. should be considered.

The **Statement of Activities** shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until some time later.

There are two distinct types of activities reflected in the government-wide statements, i.e. governmental activities, and business-type activities. Governmental activities are those supported primarily by taxes and intergovernmental revenues, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The governmental activities for Park City Municipal Corporation include General Government (Council, Mayor, City

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
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Attorney, Human Resources, Technical & Customer Services, Budget, Debt and Grants, Building, Capital Projects and Economic Development, Planning, Engineering, Special Events and Facilities, Finance, Public Affairs and Non-departmental); Public Safety (Police); Public Works (Streets, Snow Removal, Parks, Building Maintenance); Library and Recreation. The business-type activities include Water, Transportation and Parking, and Golf.

The Park City Municipal Building Authority, the Park City Redevelopment Agency, the Park City Housing Authority and the Park City Water Service District are chartered under Utah law as separate governmental entities. However, the government-wide financial statements include the financial statements of these entities, since the City Council is the appointed board for all four agencies, and these entities are financially accountable to the City.

The government-wide financial statements can be found on pages 23-26 of this report.

Fund Financial Statements: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as by how the activities are to be controlled. The three broad categories of funds are: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – At the fund level, the focus is on changes in short-term spendable resources and the balance available to spend, rather than the long-term focus used for determining government-wide numbers. Because the focus is so different between fund statements and government-wide statements, a reconciliation between the two types of statements is necessary to understand how the numbers differ. Such reconciliations are provided for the reader on pages 30 and 32. The City has three governmental type funds. These are the general fund, the debt service funds and the capital projects funds. Six of these are considered major funds: General Fund, Municipal Building Authority Debt Service Fund, Sales Tax Revenue and Refunding Debt Service Fund, Park City General Obligation Debt Service Fund, Capital Projects Improvement Fund and Lower Park Avenue Redevelopment Agency Capital Projects Improvement Fund. The basic governmental fund financial statements can be found on pages 29-33 of this report. A summary of other funds (nonmajor funds) is combined into one "Other Governmental Funds" column. The composition of the nonmajor funds is shown in combining statements later in the report under the supplementary information section on pages 73-87.

- The *General Fund* is used to account for all financial resources of the City that are not accounted for by a separate specialized fund. More specifically, the general fund is used to account for ordinary operations such as collection of tax

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

revenues and general government expenditures. The City adopts an annual appropriated budget for its general fund. On page 33, a budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- ***Debt Service Funds*** are used to account for the accumulation of resources for the payment of general obligation bonds, special assessment bonds, sales tax revenue and refunding bonds, revenue bonds issued by the Municipal Building Authority (MBA), and tax increment bonds issued by the Main Street and Lower Park Avenue Redevelopment Agencies (RDA). Therefore, this fund is set up to accumulate the capital used to pay both the interest and principal on bond debts.
- ***Capital Projects Funds*** are used to account for financial resources to be used for the acquisition or construction of major capital improvements. This fund does not account for capital improvements financed by the proprietary funds.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The City uses both enterprise funds and internal service funds. The basic proprietary fund financial statements can be found on pages 35-39 of this report.

- ***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for City-owned water system, a public transportation system (bus and trolley system), paid parking system and golf course.
- ***Internal Service Funds*** are used to account for the central financing of goods or services provided by an internal service fund to various departments of the City or other governments on a cost-reimbursement basis. The City currently has two internal service funds. The Fleet Services Fund provides vehicle storage, repair, and maintenance. The Self-Insurance Fund was established to allow the City to supplement its regular insurance coverage. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The combining statements for internal service funds can be found on pages 89-91 of this report.

Fiduciary Funds are used for assets the City receives wherein the City has temporary custody. Agency funds are used to account for assets held by the City as an agent for

PARK CITY MUNICIPAL CORPORATION, UTAH
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June 30, 2005

individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The basic fiduciary fund financial statement can be found on page 41 of this report.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets – The following table presents summary information from the Statement of Net Assets in the basic financial statements for the years ending June 30, 2004 and 2005. Certain reclasses were made in fiscal year 2004 amounts to conform to classifications adopted in fiscal year 2005.

Park City Municipal Corporation
Comparative Summary of Net Assets
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total %
	2005	2004	2005	2004	2005	2004	Change
Current and other assets	\$ 90.2	\$ 62.7	\$ 12.5	\$ 14.4	\$ 102.7	\$ 77.1	33.2%
Capital assets	105.7	103.3	40.1	34.7	145.8	138.0	5.7%
Total Assets	195.9	166.0	52.6	49.1	248.5	215.1	15.5%
Long-term debt	46.8	28.7	7.6	8.0	54.4	36.7	48.2%
Other liabilities	15.5	14.1	0.7	0.5	16.2	14.6	11.0%
Total liabilities	62.3	42.8	8.3	8.5	70.6	51.3	37.6%
Net assets							
Invested in capital assets, net of related debt	81.4	76.8	34.3	30.7	115.7	107.5	7.6%
Restricted	24.5	4.8	3.7	4.8	28.2	9.6	193.8%
Unrestricted	27.7	41.6	6.3	5.1	34.0	46.7	-27.2%
Total net assets	\$ 133.6	\$ 123.2	\$ 44.3	\$ 40.6	\$ 177.9	\$ 163.8	8.6%

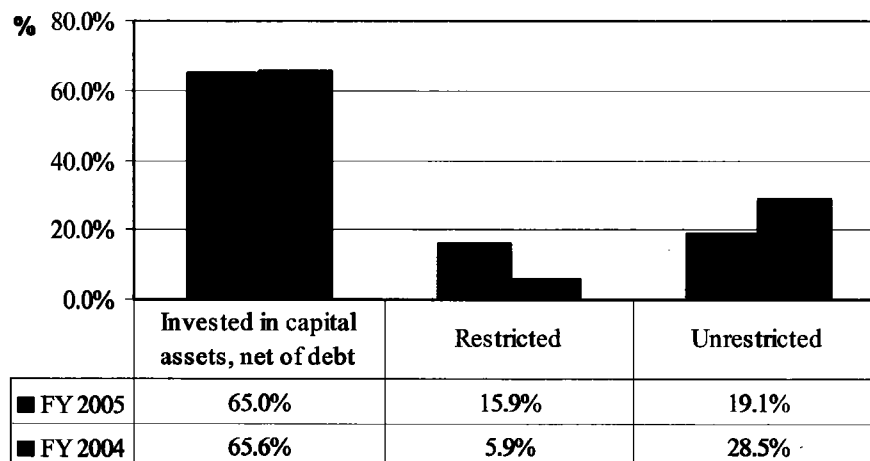
In fiscal year 2005 the City's assets exceeded liabilities by approximately \$177.9 million (net assets), compared to \$163.8 million (net assets) in fiscal year 2004. Approximately 65.0 percent in fiscal year 2005 and 65.6 percent in fiscal year 2004 of these amounts are represented by the investment in capital assets, net of debt still outstanding relating to acquisition of those assets (see subsection explaining capital assets and debt below). Due to the nature of these assets (long-term assets which are not readily convertible to liquid assets) they are not considered to be available for spending or appropriation. Further, even though the presentation here shows capital assets net of related debt, it should be

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

understood that the repayment of this debt does not come from the capital assets themselves, but comes from other resources. The increase in the City's Investment in Capital Assets net of related debt of \$8.2 million was due to routine acquisition of capital assets and repayments of the related debt. Restricted net assets represent resources that are subject to external restrictions on how they may be used. This amount increased by \$18.6 million as a result of the issuance of the 2005A Sales Tax Revenue Bonds and the 2004 General Obligation Bonds. Bond proceeds are restricted for construction of capital assets including open space acquisition, ice facility, park improvements, public safety facility, parking structure expansion and road improvements. The other sub-classification of net assets is unrestricted. The balance of approximately \$34.0 million in fiscal year 2005 and \$46.7 million in fiscal year 2004 is unrestricted, which denotes that this amount may be used to meet general, on-going financial obligations.

The following graph depicts the percentage of restricted and unrestricted net assets as discussed above.

Park City Municipal Corporation
Net Asset Percentage
June 30, 2004 and 2005



PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

Changes in Net Assets - As taken from the Statement of Activities in the basic financial statements, the following table depicts the changes in net assets for fiscal years 2004 and 2005.

Park City Municipal Corporation
Summary of Changes in Net Assets
(in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total % Change</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
Revenues							
Program revenues							
Charges for services	\$ 4.2	\$ 2.7	\$ 7.1	\$ 7.1	\$ 11.3	\$ 9.8	15.3%
Operating grants and contributions	0.1	0.2	0.3	0.2	0.4	0.4	0.0%
Capital grants and contributions	3.4	4.5	4.7	0.4	8.1	4.9	65.3%
General revenues							
Property tax	12.5	11.3	-	-	12.5	11.3	10.6%
Other taxes	10.1	8.4	2.7	2.2	12.8	10.6	20.8%
Investment earnings	1.5	0.8	0.3	0.2	1.8	1.0	80.0%
Other	0.3	0.5	0.5	0.4	0.8	0.9	-11.1%
Total revenues	<u>32.1</u>	<u>28.4</u>	<u>15.6</u>	<u>10.5</u>	<u>47.7</u>	<u>38.9</u>	<u>22.6%</u>
Expenses							
General government	6.5	7.8	-	-	6.5	7.8	-16.7%
Public safety	3.3	3.1	-	-	3.3	3.1	6.5%
Public works	7.7	7.5	-	-	7.7	7.5	2.7%
Library & recreation	2.3	2.7	-	-	2.3	2.7	-14.8%
Interest on long-term debt	1.9	1.4	-	-	1.9	1.4	35.7%
Water	-	-	5.6	5.6	5.6	5.6	0.0%
Transportation and parking	-	-	5.1	4.5	5.1	4.5	13.3%
Golf course	-	-	1.2	1.4	1.2	1.4	-14.3%
Total expenses	<u>21.7</u>	<u>22.5</u>	<u>11.9</u>	<u>11.5</u>	<u>33.6</u>	<u>34.0</u>	<u>-1.2%</u>
Increase (decrease) in net assets before transfers	10.4	5.9	3.7	(1.0)	14.1	4.9	187.8%
Transfers	-	2.2	-	(2.2)	-	-	-
Change in net assets	10.4	8.1	3.7	(3.2)	14.1	4.9	187.8%
Net assets beginning	123.2	115.1	40.6	43.8	163.8	158.9	3.1%
Net assets ending	<u>\$ 133.6</u>	<u>\$ 123.2</u>	<u>\$ 44.3</u>	<u>\$ 40.6</u>	<u>\$ 177.9</u>	<u>\$ 163.8</u>	<u>8.6%</u>

Net assets increased from governmental activities in fiscal year 2005 approximately \$10.4 million and \$8.1 million in fiscal year 2004. Much of this increase is due to more taxes and charges for services collected and a decrease in expenses. Total expenditures decreased \$0.8 million during the fiscal year. In fiscal year 2004 the \$3.2 million decrease in net assets from business-type activities is primarily a result of transferring assets from the former recreation fund to the general fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

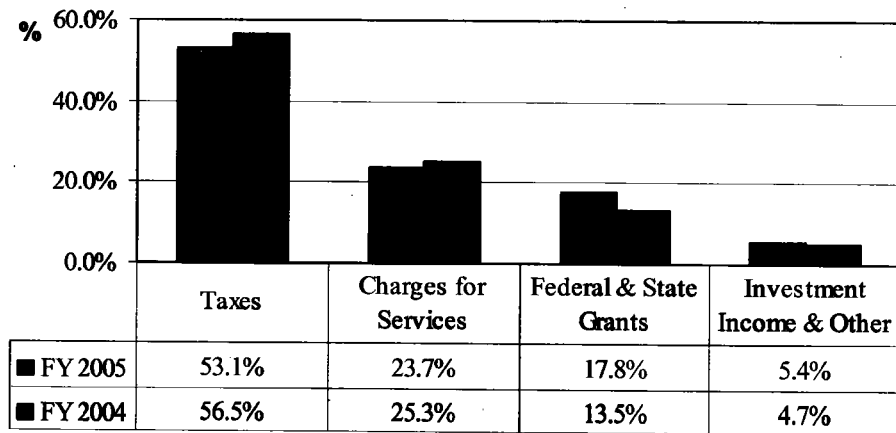
Revenue – For the year ended June 30, 2005, the City's government-wide total revenues are approximately \$47.7 million as compared to the prior year total revenues of \$38.9 million. Key elements of this change were as follows:

- Of the City's total revenues, approximately 53.1 percent in fiscal year 2005 and 56.5 percent in fiscal year 2004 resulted from taxes (a little under half of which is from property taxes) as shown in the following table (amount in millions):

	Government-wide Tax Revenues		Total %
	2005	2004	Change
Property tax, levied for general purposes	\$ 10.8	\$ 9.6	12.5%
Property tax, levied for debt service	1.7	1.7	-
General sales and use tax	6.5	5.6	16.1%
Franchise tax	2.3	1.8	27.8%
Resort tax	4.0	3.2	25.0%
Total	\$ 25.3	\$ 21.9	15.5%

- Charges for services decreased from 25.3 percent of total revenues in fiscal year 2004 to 23.7 percent in fiscal year 2005.
- Capital contributions and grants increased to 17.8 percent of total revenues in fiscal year 2005 as compared to 13.5 percent in fiscal year 2004. This was a result of transportation grants obtained by the City and capital contributions to the water fund.
- Investment income, which is a combination of interest earnings and change in fair value of investments, and other miscellaneous income sources increased to 5.4 percent of total revenues in fiscal year 2005 from 4.7 percent in fiscal year 2004.

Government-Wide Revenues by Source
June 30, 2004 and 2005



PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

Expense - The City's government-wide total expenses cover a range of services. For the year ended June 30, 2005 the City's total expenses are \$33.6 million compared to the prior year of \$34.0 million.

Governmental Activities:

Revenue Highlights:

- Taxes comprise the largest source of revenue for the City's governmental activities: Approximately \$22.6 million or 70.5 percent in fiscal year 2005 and \$19.7 million or 64.6 percent in fiscal year 2004 of total revenues from governmental activities.
- Of total taxes, real property taxes are approximately \$12.5 million (55.1 percent) in fiscal year 2005 and \$11.3 million (57.4 percent) in fiscal year 2004. New growth in taxable real property is continuing within the City.
- Charges for services increased to \$4.2 million or 13.2 percent of total revenues in fiscal year 2005 from \$2.7 million or 8.9 percent of total revenues in fiscal year 2004. Most of the increase in 2005 was a result of collecting more in building permits, plan application fees, building fees, and impact fees.
- Grant and contribution revenue represents approximately \$3.5 million or 10.6 percent in fiscal year 2005 and \$4.7 million or 15.3 percent in fiscal year 2004 of total revenues. The \$1.2 million decrease was a combination of contributed infrastructure decreasing from \$3.8 million in 2004 to \$0.8 million in 2005 that was offset by \$2.0 million cash contribution received from the Snyderville Basin Special Recreation District for its share of the construction costs of a regional ice facility under construction by the City. In addition, the COPS grant contribution ended in 2004 and B&C road funds decreased by \$0.1 million.

Expense Highlights:

- General government expenses of approximately \$6.5 million in fiscal year 2005 and \$7.8 million in fiscal year 2004 represented 30.0 percent in fiscal year 2005 and 34.9 percent in fiscal year 2004 of total expenses from governmental activities. General government includes City Council, Mayor, Legal, Special Events and Facilities, Human Resources, Technical Services, Budget, Debt and Grants, Capital Projects, Finance, Public Affairs, Planning, Engineering, Building and Non-departmental.
- Public Works, accounted for approximately \$7.7 million or 35.4 percent in fiscal year 2005 and \$7.5 million or 33.2 percent in fiscal year 2004 of total expenses. The \$0.2 million increase in expenses in 2005 was primarily a result of increased snow removal from an unusually harsh winter.
- Public Safety expenses were a little under \$3.3 million or 15.2 percent in fiscal year 2005 and \$3.1 million or 13.8 percent in fiscal year 2004. This increase was due to a fully staffed public safety department and increased overtime expenditures.

As a result, total net expenses that were funded by general revenues were \$14.0 million. Tax revenues of \$22.6 million were sufficient to fund net expenses in fiscal year 2005.

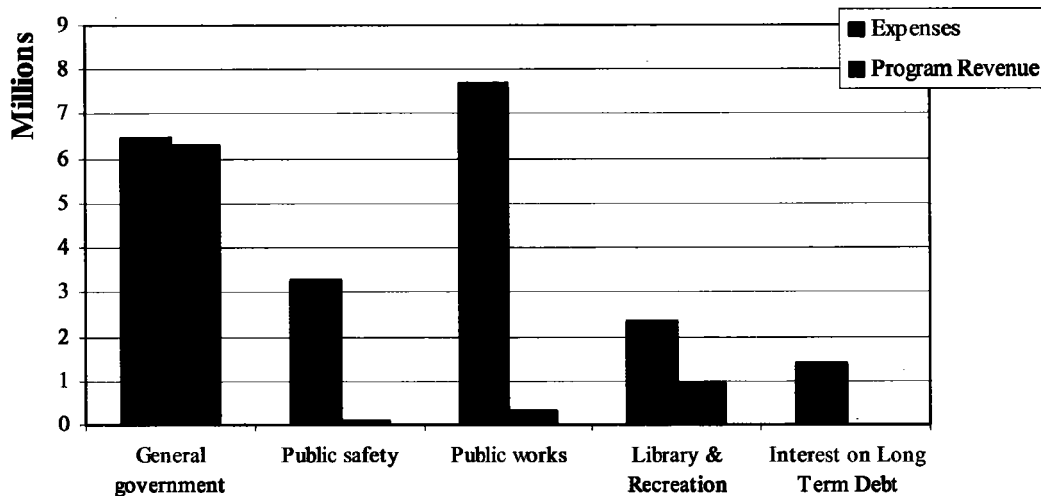
PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

The following presents the costs and net costs (total cost less fees generated by the activities and intergovernmental aid) of the City's programs:

Park City Municipal Corporation
Costs of Governmental Activities
(in millions of dollars)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>		<u>Total % Change</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	
General government	\$ 6.5	\$ 7.8	\$ 0.2	\$ 2.1	-90.5%
Public safety	3.3	3.1	3.2	2.8	14.3%
Public works	7.7	7.5	7.4	7.1	4.2%
Library & recreation	2.3	2.7	1.4	1.7	-17.6%
Interest on long term debt	1.9	1.4	1.9	1.4	35.7%
Total	<u><u>\$ 21.7</u></u>	<u><u>\$ 22.5</u></u>	<u><u>\$ 14.1</u></u>	<u><u>\$ 15.1</u></u>	<u><u>-6.6%</u></u>

Expense and Program Revenue-Governmental Activities*
FY 2005



*Based on Government-Wide Financial Statements. See page 25

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

Business-type Activities:

The City's business-type activities increased net assets by \$3.7 million. Key elements of this increase were as follows:

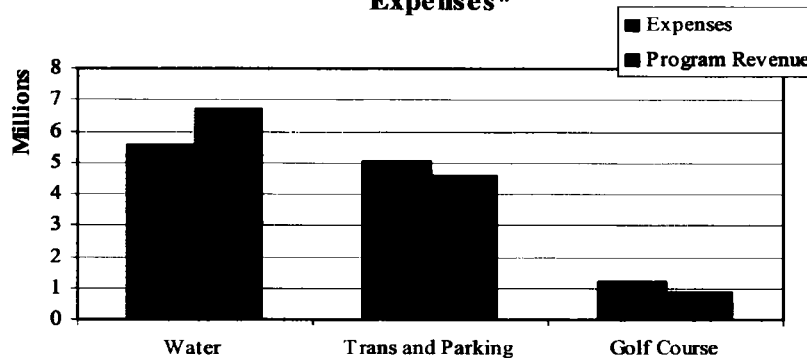
Revenue Highlights:

- Charges for services for business-type activities were substantially unchanged. The \$0.5 million increase in transportation charges for services is from an increase in City parking fines and regional transit revenue. The City transit department provides bus service to locations outside the Park City limits in accordance with a regional transit agreement with Summit County. Summit County pays the City for these transit services. In fiscal year 2005, bus routes outside the City were expanded resulting in increased revenue.
- The transportation fund received \$2.3 million in Department of Transportation grants for operations and capital uses.
- Capital contributions for the water fund increased \$2.5 million primarily due to developer contributions.
- General sales and use tax increased by \$0.4 million for business-type activities because of an overall increase in tourism resulting in increased sales tax revenue.

Expense Highlights:

- Salaries and benefits increased \$0.2 million in 2005. The transportation fund accounted for this increase due to hiring of additional bus drivers to accommodate the increase in regional transit bus routes.
- The transportation fund also accounted for the \$0.2 million increase in energy and utilities as a result of increased diesel fuel prices.

Business Type Funds - Program Revenues and Expenses*



*See Page 25

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources available for appropriation. Such information is useful in assessing the City's financing requirements. In particular, unreserved, undesignated fund balance is a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of June 30, 2005 the aggregate fund balance of the City's governmental funds was \$68.3 million, an increase of \$25.5 million in comparison with the fiscal year ended June 30, 2004. Approximately \$13.0 million or 19.1 percent in fiscal year 2005 and \$13.3 or 31.2 percent in fiscal year 2004 of this amount is unreserved, undesignated fund balance, which is available for appropriation by the City Council at their discretion. The remainder of the fund balance is either reserved or designated and is not available for new spending because it has already been committed to the following: \$1.5 million for debt service on the City's outstanding bonds, and \$53.8 million for capital improvements.

The \$0.3 million decrease in the unreserved, undesignated fund balance for the City's governmental funds is primarily attributed to increased fund balance in the general fund, Lower Park Avenue Redevelopment Agency capital projects fund, Municipal Building Authority debt service fund, and other governmental funds combined with a significant decrease in the capital improvements fund.

The general fund is the principal operating fund of the City. Utah State code establishes a 5.0 percent minimum (\$965,142) and an 18.0 percent maximum (\$3,474,512) limit to the amount that may be accumulated as the fund balance in the general fund. As of June 30, 2005 the unreserved, undesignated fund balance of the general fund was \$3,216,779 and was \$257,733 below the 18.0 percent limit. The unreserved, undesignated fund balance increased by \$224,715 in 2005 as compared to an increase of \$245,886 in fiscal year 2004.

As of June 30, 2005 the unreserved, undesignated fund balance in the capital improvements fund was \$5.4 million. The unreserved, undesignated fund balance decreased by \$1.9 million from fiscal year 2004. The decrease was primarily due to moving the funds to unreserved, designated for capital projects in accordance with the City's budget. In 2005, a transfer of \$4.6 million was made from the general fund to the capital improvements fund which increased designated fund balance for capital projects in accordance with the City's budget.

The Sales Tax Revenue and Refunding debt service fund was established during fiscal year 2005 to account for bond proceeds received and the accumulation of money for the repayment of the 2005A and 2005B Sales Tax Revenue Bonds.

As of June 30, 2005 the unreserved, undesignated fund balance in the Lower Park Avenue Redevelopment Agency capital projects fund was \$2.8 million. The unreserved, undesignated fund balance increased by a net amount of approximately \$0.3 million as

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

compared with an increase of \$0.2 million in fiscal year 2004. The increase in fiscal year 2005 is a result of increased property tax collections and investment income combined with a decrease in capital outlay.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the City's enterprise funds totaled approximately \$44.3 million in fiscal year 2005 as compared to \$40.6 million at the end of fiscal year 2004. Net assets at the end of fiscal year 2004 and 2005 for each of these funds were:

Park City Municipal Corporation
Proprietary Funds

<u>Fund</u>	<u>Amount</u>		<u>Change</u>
	<u>2005</u>	<u>2004</u>	
Water	\$ 24,482,131	\$ 23,199,685	\$ 1,282,446
Transportation and parking	17,226,952	14,811,323	2,415,629
Golf course	2,546,679	2,601,482	(54,803)
Total	<u>\$ 44,255,762</u>	<u>\$ 40,612,490</u>	<u>\$ 3,643,272</u>

The net increase in net assets from the prior year was \$3.6 million as compared to a decrease of \$3.2 million in fiscal year 2004. The increase in the water fund invested in capital assets net of related debt was due to acquisition of capital assets and repayments of the related debt. Capital contributions from developers increased \$.9 million in fiscal year 2005.

Transportation fund net assets invested in capital assets net of related debt increased by \$2.4 million primarily due to the capitalization of eight transit buses and a trolley. Unrestricted net assets increased approximately \$0.6 million due to increased sales tax revenue because of an increase in tourism in 2005. The golf course fund was substantially unchanged from last fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for expenditures of \$63,152 (net increase) can be briefly summarized as follows:

- \$377,987 decrease in general government
- \$126,381 increase in public safety
- \$266,800 increase in public works
- \$47,958 increase in library and recreation

Final budgeted revenues of \$20,529,550 were less than actual revenues of \$21,567,403 by \$1,037,853, and actual expenditures of \$16,008,645 were under budgeted amounts of \$17,177,624 by \$1,168,979. See Note L on page 66 of this report.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The City's investment in capital assets for its governmental and business-type activities totaled \$145.8 million (net of \$95.1 million accumulated depreciation) at June 30, 2005 as compared to \$138.0 million (net of \$89.0 million accumulated depreciation) at June 30, 2004. This investment in capital assets includes land and water rights, buildings, improvements other than buildings, vehicles and equipment, art, infrastructure and construction in progress.

Major capital asset additions during the year ended June 30, 2005 included:

Governmental Activities:

- \$0.3 million for purchase of the Ontario property
- \$1.4 million for purchase of open space property
- \$0.4 million for the City Library expansion
- \$1.3 million for the Upper Park Avenue street and sidewalk improvements and replacement

Business-type Activities:

- \$0.7 million for Upper Park Avenue water infrastructure improvements and replacement
- \$2.5 million for transit buses and a trolley

Park City Municipal Corporation
Capital Assets
(net of accumulated depreciation, in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total %
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Land and water rights	\$ 63.2	\$ 61.2	\$ 6.9	\$ 6.9	\$ 70.1	\$ 68.1	2.9%
Infrastructure	80.6	79.1	-	-	80.6	79.1	1.9%
Buildings	7.7	8.0	6.6	6.6	14.3	14.6	-2.1%
Art	0.2	0.1	0.1	0.1	0.3	0.2	50.0%
Improvements other than buildings	14.9	14.6	35.9	34.1	50.8	48.7	4.3%
Vehicles and equipment	7.3	7.0	9.7	7.5	17.0	14.5	17.2%
Construction in progress	3.6	0.7	4.2	1.1	7.8	1.8	333.3%
Accumulated depreciation	(71.8)	(67.4)	(23.3)	(21.6)	(95.1)	(89.0)	6.9%
Total Assets	<u>\$ 105.7</u>	<u>\$ 103.3</u>	<u>\$ 40.1</u>	<u>\$ 34.7</u>	<u>\$ 145.8</u>	<u>\$ 138.0</u>	<u>5.6%</u>

Additional information on the City's capital assets can be found in Note D-Capital Assets on pages 53-54 of this report.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

Long-term Debt: At June 30, 2005 the City had \$53.8 million in bonds and contracts payable, an increase of 46.5 percent from fiscal year 2004. Of this amount \$19.9 million is considered to be general obligation debt and backed by the full faith and credit of the City. Debt that is secured solely by specific revenue sources is \$33.9 million. New debt issued during 2005 included \$9.0 million of general obligation bonds. Proceeds of the bonds are for distinct projects and were authorized by two separate ballot propositions. Pursuant to a special bond election held on November 5, 2002 approximately \$5.0 million of the bond proceeds will be used to acquire and preserve undeveloped park and recreational land. Pursuant to a special bond election held on November 6, 2001 approximately \$4.0 million of the bond proceeds will be used to construct an ice facility and make park improvements.

In addition, the City issued Sales Tax Revenue Bonds, Series 2005A in the amount of \$15.5 million and Sales Tax Revenue and Refunding Bonds, Series 2005B in the amount of \$4.5 million. The proceeds from the sale of the series 2005A bonds will be used for the purpose of financing the cost associated with the acquisition, construction, and equipping of a public safety building, recreation complex, parking structure expansion and improvements, park improvements, road improvements and other City-owned capital improvements and paying the costs of issuance of the series 2005 bonds. The proceeds from the series 2005B bonds in combination with other City funds were used to refund the MBA Series 1996 and 1999 Revenue and Refunding bonds. The refunding will decrease future debt service payments by \$1.3 million. The series 2005 bonds are special limited obligations of the City, payable solely from and secured solely by a pledge of revenues from (i) 100 percent of the revenues received by the City from the local sales and use tax levied by the City pursuant to the Utah Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, Utah Code and (ii) 75.0 percent of the revenues received by the City from the resort communities tax levied by the City pursuant to Title 59, Chapter 12, Part 4 of the Utah Code. The series 2005 bonds do not constitute a pledge of the ad valorem taxing power or the full faith and credit of the City.

The City's general obligation bonds are rated Aa3 by Moody's and AA- by Standard & Poor's and Fitch. Standard & Poor's has assigned a rating of "A+" to the Series 2005 Sales Tax Bonds. The City's revenue bonds are rated A1 by Moody's and A- by Standard & Poor's.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

The City's long-term obligations for the fiscal years 2005 and 2004 were as follows:

Park City Municipal Corporation
Debt Outstanding
(in millions of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total %</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Contracts payable	\$ 0.8	\$ 0.9	\$ -	\$ -	\$ 0.8	\$ 0.9	-11.1%
Note payable	-	-	0.09	0.1	0.09	0.1	-10.0%
General obligation bonds	19.9	12.3	-	-	19.9	12.3	61.8%
Revenue bonds	25.6	15.5	7.4	7.9	33.0	23.4	41.0%
Total Assets	<u>\$ 46.3</u>	<u>\$ 28.7</u>	<u>\$ 7.5</u>	<u>\$ 8.0</u>	<u>\$ 53.8</u>	<u>\$ 36.7</u>	<u>46.5%</u>

The State of Utah mandates a general obligation debt limit to 4.0 percent of total assessed value of \$3,472,235,756. The current limitation for the City is \$138,889,430, which is significantly in excess of the City's outstanding general obligation debt. The City's net debt subject to this limitation was \$19,915,000 or 0.57 percent of total assessed value leaving the amount available for future indebtedness at \$118,974,430. See Schedule 15 on page 111 of this report.

More detailed information about the City's long-term liabilities is presented in Note E-Long-term Obligations on pages 55-62 of this report.

ECONOMIC FACTORS

- The unemployment rate for Summit County (of which Park City is the largest city) was 5.3 percent compared with the state unemployment rate of 4.4 percent, and a national rate of 4.9 percent. This compares with a rate of 6.8 percent for Summit County in 2004. (Sources: Utah Dept of Workforce Services)
- The fiscal year 2006 City budget does not include a property tax increase. The City Council recently adopted the certified tax rate for the General Fund. In accordance with Utah Statutes, the certified tax rate is intended to generate the same amount of property tax revenue as was received the prior year plus revenue for "new growth" occurring in the City. All other revenue sources have been estimated on a conservative basis using a multi-year trend analysis and assuming no significant changes in the local economy. The City's approach to budgeting includes preparation of a five-year capital plan. The long-term nature of the City's financial planning system allows decision makers to better understand the true effect of policy decisions. One of the most powerful aspects of the multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of the City.

PARK CITY MUNICIPAL CORPORATION, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
June 30, 2005

- The rates and fees for most services remained constant for fiscal year 2006 compared with the fiscal year just ended except that water user rates were increased by 20.0 percent in the water fund effective June 2005. The City anticipates lower rate increases each year over approximately the next five years in order to provide adequate working capital necessary to maintain the water system, pay debt service and comply with the rate-covenant contained in the City's last water revenue bond issue.

Contacting City Management

This financial report is designed to give its readers a general overview of the City's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Park City Municipal Corporation, Finance and Accounting Department at P.O. Box 1480, Park City, Utah 84060-1480.

Park City Municipal Corporation



BASIC FINANCIAL STATEMENTS

Park City Municipal Corporation, Utah
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, cash equivalents and investments held by city	\$ 49,182,093	\$ 7,008,577	\$ 56,190,670
Cash and investments held by fiscal agent	18,607,489	2,749,941	21,357,430
Receivables (net of allowance for uncollectibles)			
Taxes	12,548,445	-	12,548,445
Accounts	531,854	882,768	1,414,622
Notes receivable	1,427,672	-	1,427,672
Internal balances	(45,344)	45,344	-
Inventories	221,741	304,774	526,515
Prepays	-	405,600	405,600
Cash-restricted	6,356,191	1,014,890	7,371,081
Land and building held for resale	763,038	-	763,038
Capital assets not being depreciated:			
Land and water rights	63,227,992	6,917,154	70,145,146
Construction in progress	3,575,447	4,109,639	7,685,086
Art	209,345	109,214	318,559
Capital assets (net of accumulated depreciation):			
Buildings	4,661,208	4,626,459	9,287,667
Improvements other than buildings	4,548,780	20,145,469	24,694,249
Vehicles and equipment	1,520,020	4,153,040	5,673,060
Infrastructure	27,958,775	-	27,958,775
Unamortized bond issuance costs	637,533	89,693	727,226
Total assets	\$ 195,932,279	\$ 52,562,562	\$ 248,494,841

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 1,789,911	\$ 503,962	\$ 2,293,873
Accrued liabilities	949,560	128,665	1,078,225
Deposits	400,000	25,000	425,000
Unearned revenue	12,392,246	-	12,392,246
Long-term debt due within one year:			
Note payable	-	90,922	90,922
Contract payable	45,134	-	45,134
General obligation bonds	1,345,000	-	1,345,000
Revenue bonds	2,430,000	503,000	2,933,000
Long-term debt due in more than one year:			
Compensated absences	355,193	84,907	440,100
Contract payable	686,409	-	686,409
General obligation bonds	18,679,111	-	18,679,111
Revenue bonds	23,246,590	6,925,000	30,171,590
Total liabilities	62,319,154	8,261,456	70,580,610
NET ASSETS			
Invested in capital assets, net of related debt	81,377,025	34,255,631	115,632,656
Restricted for:			
Debt service	738,236	809,142	1,547,378
Water development	-	1,014,890	1,014,890
Capital projects	23,825,444	1,940,799	25,766,243
Unrestricted	27,672,420	6,280,644	33,953,064
Total net assets	\$133,613,125	\$ 44,301,106	\$177,914,231

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,493,178	\$ 3,272,967	\$ 13,544	\$ 3,010,907	\$ (195,760)
Public safety	3,296,810	4,920	39,874	43,628	(3,208,388)
Public works	7,679,736	20,000	-	295,752	(7,363,984)
Library and recreation	2,333,871	946,460	-	15,000	(1,372,411)
Interest on long-term debt	1,875,384	-	-	-	(1,875,384)
Total governmental activities	21,678,979	4,244,347	53,418	3,365,287	(14,015,927)
Business-type activities:					
Water	5,586,033	3,972,634	-	2,745,148	1,131,749
Transportation and parking	5,057,840	2,250,236	339,700	2,000,989	(466,915)
Golf course	1,218,127	857,200	-	-	(360,927)
Total business-type activities	11,862,000	7,080,070	339,700	4,746,137	303,907
Total primary government	\$ 33,540,979	\$ 11,324,417	\$ 393,118	\$ 8,111,424	\$ (13,712,020)

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Activities
For the Year Ended June 30, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (14,015,927)	\$ 303,907	\$ (13,712,020)
General revenues:			
Taxes:			
Property tax, levied for general purposes	10,771,072	-	10,771,072
Property tax, levied for debt service	1,711,909	-	1,711,909
General sales and use tax	3,892,401	2,655,488	6,547,889
Franchise tax	2,309,090	-	2,309,090
Resort tax	3,954,810	-	3,954,810
Investment earnings	1,481,694	275,885	1,757,579
Miscellaneous	342,398	482,570	824,968
Total general revenues	24,463,374	3,413,943	27,877,317
Change in net assets	10,447,447	3,717,850	14,165,297
Net assets—beginning	123,165,678	40,583,256	163,748,934
Net assets—ending	<u>\$ 133,613,125</u>	<u>\$ 44,301,106</u>	<u>\$ 177,914,231</u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation



GOVERNMENTAL FUND

FINANCIAL STATEMENTS

Major Funds

General Fund - Accounts for all activities not accounted for by other funds of the City. The General Fund accounts for the normal recurring activities of the City, (i.e., police, public works, library, recreation, general government, etc.). The principal sources of revenue for this fund are property taxes, sales and use taxes and franchise taxes.

Municipal Building Authority Debt Service Fund - Accounts for the accumulation of money for the repayment of the 1996 and 1999 series revenue bonds.

Sales Tax Revenue and Refunding Bonds Debt Service Fund - Accounts for the accumulation of money for the repayment of the 2005A and 2005B Sales Tax Revenue and Refunding Bonds.

Park City General Obligation Debt Service Fund - Accounts for the accumulation of money for the repayment of the 1999, 2000, 2003 and 2004 General Obligation Bonds. The principal source of revenue is property tax.

Capital Improvements Fund - Accounts for the construction of major capital projects not accounted for in the proprietary funds. The Capital Improvements Fund is used to account for capital projects of the City's general government.

Lower Park Avenue Redevelopment Agency Capital Projects Fund - Accounts for capital projects in the Lower Park Avenue Redevelopment area.

Park City Municipal Corporation, Utah
Balance Sheet - Governmental Funds
June 30, 2005

	General	Debt Service - Municipal Building Authority	Debt Service -Sales Tax Revenue and Refunding	Debt Service - Park City General Obligation	Capital Projects - Capital Improvements Fund	Capital Projects - Lower Park Avenue Redevelop- ment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash, cash equivalents and investments held by city	\$ 3,995,219	\$ 68,835	\$ -	\$ 451,885	\$ 31,050,625	\$ 4,652,653	\$ 5,621,047	\$ 45,840,264
Cash and investments held by fiscal agent	-	13,159	16,443,301	-	-	-	2,151,029	18,607,489
Receivables								
Taxes	6,485,188	-	-	2,085,616	-	2,173,064	1,300,000	12,043,868
Accounts	34,349	-	-	-	121,707	3,563	3,807	163,426
Notes receivable	13,674	-	-	-	1,413,998	-	-	1,427,672
Due from other fund	-	-	-	-	369,710	-	-	369,710
Inventories	22,857	-	-	-	-	-	-	22,857
Cash-restricted	-	-	-	-	6,356,191	-	-	6,356,191
Land and building held for resale	-	-	-	-	763,038	-	-	763,038
Total assets	\$ 10,551,287	\$ 81,994	\$ 16,443,301	\$ 2,537,501	\$ 40,075,269	\$ 6,829,280	\$ 9,075,883	\$ 85,594,515
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 275,731	\$ -	\$ -	\$ -	\$ 1,402,668	\$ 1,105	\$ 69,701	\$ 1,749,205
Accrued liabilities	974,575	-	-	-	-	-	-	974,575
Due to other fund	-	-	369,710	-	-	-	-	369,710
Deposits	-	-	-	-	-	-	400,000	400,000
Deferred revenue	6,084,202	-	-	2,085,616	2,177,036	2,173,064	1,300,000	13,819,918
Total liabilities	7,334,508	-	369,710	2,085,616	3,579,704	2,174,169	1,769,701	17,313,408
Fund balances								
Reserved for:								
Capital projects	-	-	16,443,301	-	6,356,191	-	-	22,799,492
Debt service	-	13,159	-	-	-	-	-	13,159
Nonmajor debt service funds-capital projects	-	-	-	-	-	-	1,025,952	1,025,952
Nonmajor debt service funds-debt service	-	-	-	-	-	-	725,077	725,077
Unreserved, designated for, reported in:								
Capital projects funds	-	-	-	-	24,742,448	1,874,311	-	26,616,759
Debt service fund	-	-	-	451,885	-	-	-	451,885
Nonmajor capital projects funds	-	-	-	-	-	-	3,272,704	3,272,704
Nonmajor debt service funds	-	-	-	-	-	-	337,744	337,744
Unreserved, undesignated reported in:								
General fund	3,216,779	-	-	-	-	-	-	3,216,779
Capital projects funds	-	-	-	-	5,396,926	2,780,800	-	8,177,726
Debt service funds	-	68,835	(369,710)	-	-	-	-	(300,875)
Nonmajor capital projects funds	-	-	-	-	-	-	1,944,705	1,944,705
Total fund balances	3,216,779	81,994	16,073,591	451,885	36,495,565	4,655,111	7,306,182	68,281,107
Total liabilities and fund balances	\$ 10,551,287	\$ 81,994	\$ 16,443,301	\$ 2,537,501	\$ 40,075,269	\$ 6,829,280	\$ 9,075,883	\$ 85,594,515

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 68,281,107
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		105,701,567
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		
Taxes receivable	504,577	
Interest receivable	<u>383,952</u>	888,529
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. The net property of \$74 as it relates to the internal service funds is included in the capital asset amount above.		3,416,933
Certain items not accounted for as deferred under accrual accounting.		1,427,672
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Compensated absences	(26,652)	
Revenue bonds	(25,620,000)	
General obligation bonds	(19,915,000)	
Contracts payable	(731,543)	
Unamortized bond issue costs	637,533	
Deferred bond premium	(165,701)	
Accrued interest on the bonds	<u>(281,320)</u>	<u>(46,102,683)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 133,613,125</u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service - Municipal Building Authority	Debt Service - Sales Tax Revenue and Refunding	Debt Service - Park City General Obligation	Capital Projects Capital Improvements Fund	Capital Projects Lower Park Avenue Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes and special assessments	\$ 17,399,957	\$ -	\$ -	\$ 1,711,909	\$ -	\$ 2,173,064	\$ 1,300,000	\$ 22,584,930
Licenses and permits	2,154,641	-	-	-	-	-	-	2,154,641
Intergovernmental	44,723	-	-	-	604,687	13,544	-	662,954
Charges for services	1,053,161	-	-	-	-	-	-	1,053,161
Fines and forfeitures	25,766	-	-	-	-	-	-	25,766
Investment income	449,535	100,307	33,102	159,370	518,497	102,830	118,053	1,481,694
Impact fees	-	-	-	-	1,010,779	-	-	1,010,779
Rental and other miscellaneous	439,620	822,789	-	-	370,523	10,128	37,922	1,680,982
Total revenues	21,567,403	923,096	33,102	1,871,279	2,504,486	2,299,566	1,455,975	30,654,907
Expenditures								
Current								
General government	6,975,713	-	-	-	-	-	-	6,975,713
Public safety	3,219,448	-	-	-	-	-	-	3,219,448
Public works	3,746,378	-	-	-	-	-	-	3,746,378
Library and recreation	2,067,106	-	-	-	-	-	-	2,067,106
Capital outlay	-	-	-	-	7,613,253	700,587	1,338,481	9,652,321
Debt service								
Principal retirement	-	4,054,102	-	1,385,000	41,985	126,515	1,260,000	6,867,602
Interest	-	564,813	-	805,056	-	-	280,852	1,650,721
Bond issuance costs	-	-	113,480	150,715	-	-	-	264,195
Total expenditures	16,008,645	4,618,915	113,480	2,340,771	7,655,238	827,102	2,879,333	34,443,484
Revenues over (under) expenditures	5,558,758	(3,695,819)	(80,378)	(469,492)	(5,150,752)	1,472,464	(1,423,358)	(3,788,577)
Other financing sources (uses)								
Debt issuance	-	-	15,500,000	9,000,000	-	-	-	24,500,000
Refunding bonds issued	-	-	4,500,000	-	-	-	-	4,500,000
Premium on debt issuance	-	-	57,457	116,518	-	-	-	173,975
Payment to refunded bond escrow agent	-	(4,143,153)	-	-	-	-	-	(4,143,153)
Payment to refunded bond holders	-	(387,745)	-	-	-	-	-	(387,745)
Donation	-	-	-	-	2,000,000	-	-	2,000,000
Proceeds from sale of assets	-	-	-	-	156,894	-	329,165	486,059
Transfers in	1,450,444	6,074,658	2,078,592	-	14,904,701	-	2,280,000	26,788,395
Transfers out	(6,784,487)	(1,397,936)	(5,982,080)	(8,372,883)	-	(920,000)	(1,192,331)	(24,649,717)
Total other financing sources (uses)	(5,334,043)	145,824	16,153,969	743,635	17,061,595	(920,000)	1,416,834	29,267,814
Net change in fund balances	224,715	(3,549,995)	16,073,591	274,143	11,910,843	552,464	(6,524)	25,479,237
Fund balances - beginning	2,992,064	3,631,989	-	177,742	24,584,722	4,102,647	7,312,706	42,801,870
Fund balances - ending	\$ 3,216,779	\$ 81,994	\$ 16,073,591	\$ 451,885	\$ 36,495,565	\$ 4,655,111	\$ 7,306,182	\$ 68,281,107

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances—total governmental funds \$ 25,479,237

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	7,689,489	
Depreciation expense	<u>(4,767,258)</u>	2,922,231

Contributions of capital assets are not recorded in the fund financial statements.		755,751
------------------------------------------------------------------------------------	--	---------

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, proceeds from sales increase financial resources.

Eliminate proceeds of sale of assets	(486,059)	
Recognize gain (loss) on sale of assets	<u>(611,822)</u>	(1,097,881)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes receivable	80,156	
Interest receivable	74,860	
Deferred revenue	<u>(12,911)</u>	142,105

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Issuance of long-term debt	(29,000,000)	
Principal repayments on long-term debt	6,867,602	
Payment to refunded bond escrow agent	4,143,153	
Payment to refunded bond holders	387,745	
Capitalization of bond issue costs	264,195	
Amortization of issuance costs	(89,223)	
Capitalization of bond premium	(173,975)	
Amortization of bond premium	<u>8,274</u>	(17,592,229)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest payable	(152,841)	
Compensated absences	<u>(26,652)</u>	(179,493)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. Internal service fund net income of \$91,394 less amount allocated to business-type activities \$45,344 and reversal of prior year allocation \$29,234 net of depreciation expense of \$910 included in depreciation expense above.

17,726

Change in net assets of governmental activities

\$ 10,447,447

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
General property tax	\$ 5,850,000	\$ 6,600,000	\$ 6,862,691	\$ 262,691
Delinquent prior years' taxes	265,000	265,000	380,965	115,965
General sales and use taxes	3,300,000	3,900,000	3,892,401	(7,599)
Franchise taxes	1,583,375	1,893,375	2,309,090	415,715
Resort taxes	3,000,000	3,910,000	3,954,810	44,810
Licenceses and permits				
Business licenses	15,500	15,500	18,275	2,775
Building permits	775,000	1,025,000	1,000,154	(24,846)
Plan application fees	55,000	585,000	565,100	(19,900)
Building fees	300,000	500,000	476,627	(23,373)
Other	20,500	120,500	94,485	(26,015)
Intergovernmental				
State liquor allotment	32,000	32,000	35,719	3,719
State contributions	-	-	4,155	4,155
Federal contribution	30,000	30,000	4,849	(25,151)
Charges for services				
Recreational service fees	845,850	845,850	925,714	79,864
Reimbursable services	50,000	74,000	102,708	28,708
Cemetery fees and plot sales	8,500	8,500	20,000	11,500
Miscellaneous services	46,000	46,000	4,739	(41,261)
Fines and forfeitures	50,000	51,350	25,766	(25,584)
Miscellaneous	119,900	119,900	449,535	329,635
Investment income	471,500	507,575	439,620	(67,955)
Total revenues	16,818,125	20,529,550	21,567,403	1,037,853
Expenditures:				
General government	8,252,332	7,874,345	6,975,713	898,632
Public safety	3,035,071	3,161,452	3,219,448	(57,996)
Public works	3,764,495	4,031,295	3,746,378	284,917
Library and recreation	2,062,574	2,110,532	2,067,106	43,426
Total expenditures	17,114,472	17,177,624	16,008,645	1,168,979
Revenues over (under) expenditures	(296,347)	3,351,926	5,558,758	2,206,832
Other financing sources (uses)				
Transfers in	1,450,444	1,450,444	1,450,444	-
Transfers out	(334,487)	(6,784,487)	(6,784,487)	-
Total other financing sources (uses)	1,115,957	(5,334,043)	(5,334,043)	-
Net change in fund balances	819,610	(1,982,117)	224,715	2,206,832
Fund balance - beginning	1,334,597	3,002,906	2,992,064	(10,842)
Fund balance - ending	\$ 2,154,207	\$ 1,020,789	\$ 3,216,779	\$ 2,195,990

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND

FINANCIAL STATEMENTS

Major Funds

Water Fund - Accounts for the operations of the City's water utility.

Transportation and Parking Fund - Accounts for the operations of the City's public Transportation (bus and trolley) system and paid parking system.

Golf Course Fund - Accounts for the operations of the City's golf course.

Park City Municipal Corporation, Utah
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Funds				
	Water Fund	Transportation and Parking Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash, cash equivalents and investments held by city	\$ 738,935	\$ 5,937,974	\$ 331,668	\$ 7,008,577	\$ 3,341,829
Cash and investments held by fiscal agent	2,749,941	-	-	2,749,941	-
Accounts receivable	330,041	552,338	389	882,768	13,710
Prepays	405,600	-	-	405,600	-
Cash and cash equivalents-restricted	1,014,890	-	-	1,014,890	-
Inventories	205,200	15,994	83,580	304,774	198,884
Total current assets	5,444,607	6,506,306	415,637	12,366,550	3,554,423
Noncurrent assets:					
Property, plant and equipment					
Land and water rights	4,340,554	1,748,149	828,451	6,917,154	-
Buildings	480,000	4,443,828	1,671,487	6,595,315	-
Improvements other than buildings	32,456,266	2,898,554	500,550	35,855,370	-
Art	-	109,214	-	109,214	-
Vehicles and equipment	1,552,364	7,249,967	927,793	9,730,124	148,683
Construction in progress	4,012,627	97,012	-	4,109,639	-
Accumulated depreciation and amortization	(15,911,951)	(5,706,196)	(1,637,694)	(23,255,841)	(148,609)
Net property, plant and equipment	26,929,860	10,840,528	2,290,587	40,060,975	74
Unamortized bond issuance costs	89,693	-	-	89,693	-
Total noncurrent assets	27,019,553	10,840,528	2,290,587	40,150,668	74
Total assets	32,464,160	17,346,834	2,706,224	52,517,218	3,554,497
LIABILITIES					
Current liabilities:					
Accounts payable	375,942	76,754	51,266	503,962	40,706
Accrued liabilities	122,415	-	6,250	128,665	-
Current portion of long-term debt					
Note payable	-	-	90,922	90,922	-
Revenue bonds	503,000	-	-	503,000	-
Total current liabilities	1,001,357	76,754	148,438	1,226,549	40,706
Noncurrent liabilities:					
Compensated absences	30,672	43,128	11,107	84,907	22,206
Deposits	25,000	-	-	25,000	-
Revenue bonds payable	6,925,000	-	-	6,925,000	-
Total noncurrent liabilities	6,980,672	43,128	11,107	7,034,907	22,206
Total liabilities	7,982,029	119,882	159,545	8,261,456	62,912
NET ASSETS					
Invested in capital assets, net of related debt	21,215,438	10,840,528	2,199,665	34,255,631	74
Restricted for:					
Debt service	809,142	-	-	809,142	-
Water development	1,014,890	-	-	1,014,890	-
Capital projects	1,940,799	-	-	1,940,799	-
Unrestricted	(498,138)	6,386,424	347,014	6,235,300	3,491,511
Total net assets	\$ 24,482,131	\$ 17,226,952	\$ 2,546,679	\$ 44,255,762	\$ 3,491,585

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Reconciliation of the Statement of Net Assets of the Proprietary Funds
to the Statement of Net Assets
June 30, 2005

TOTAL NET ASSETS - PROPRIETARY FUNDS	\$ 44,255,762
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Amounts reported for business-type activities in the statement of assets are different because:

Certain internal service fund assets and liabilities are included with business-type activities.

<u>45,344</u>

Total net assets - business-type activities	\$ 44,301,106
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<u><u>\$ 44,301,106</u></u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds				
	Water Fund	Transportation and Parking Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
Operating revenues					
Charges for services	\$ 3,972,634	\$ 2,250,236	\$ 857,200	\$ 7,080,070	\$ 1,875,318
Miscellaneous	-	-	309,805	309,805	-
Total operating revenues	<u>3,972,634</u>	<u>2,250,236</u>	<u>1,167,005</u>	<u>7,389,875</u>	<u>1,875,318</u>
Operating expenses					
Salaries and benefits	873,028	1,991,108	548,805	3,412,941	474,008
Supplies, maintenance and services	1,884,014	1,114,267	361,454	3,359,735	809,127
Energy and utilities	314,536	381,134	30,009	725,679	499,879
Depreciation and amortization	1,089,914	745,006	155,410	1,990,330	910
Total operating expenses	<u>4,161,492</u>	<u>4,231,515</u>	<u>1,095,678</u>	<u>9,488,685</u>	<u>1,783,924</u>
Income (loss) from operations	<u>(188,858)</u>	<u>(1,981,279)</u>	<u>71,327</u>	<u>(2,098,810)</u>	<u>91,394</u>
Nonoperating revenues (expenses)					
Intergovernmental	-	339,700	-	339,700	-
Transit and resort sales tax	-	2,655,488	-	2,655,488	-
Investment income	154,768	113,862	7,255	275,885	-
Interest expense	(302,495)	-	(6,720)	(309,215)	-
Miscellaneous	-	172,765	-	172,765	-
Total nonoperating revenues (expenses)	<u>(147,727)</u>	<u>3,281,815</u>	<u>535</u>	<u>3,134,623</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>(336,585)</u>	<u>1,300,536</u>	<u>71,862</u>	<u>1,035,813</u>	<u>91,394</u>
Capital contributions	2,745,148	2,000,989	-	4,746,137	-
Transfers in	-	-	25,000	25,000	-
Transfers out	(1,126,117)	(885,896)	(151,665)	(2,163,678)	-
Change in net assets	<u>1,282,446</u>	<u>2,415,629</u>	<u>(54,803)</u>	<u>3,643,272</u>	<u>91,394</u>
Net assets - beginning	<u>23,199,685</u>	<u>14,811,323</u>	<u>2,601,482</u>	<u>40,612,490</u>	<u>3,400,191</u>
Net assets - ending	<u>\$ 24,482,131</u>	<u>\$ 17,226,952</u>	<u>\$ 2,546,679</u>	<u>\$ 44,255,762</u>	<u>\$ 3,491,585</u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets
to the Statement of Activities
Proprietary Funds
For the Year Ended June 30, 2005

CHANGE IN NET ASSETS - PROPRIETARY FUNDS	\$ 3,643,272
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds.

Internal service fund net income of \$91,394 less amount allocated to governmental activities \$46,050 and reversal of prior year allocation \$29,234.

74,578
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Change in net assets of business-type activities	\$ 3,717,850
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The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds			Total Enterprise Funds	Internal Service Funds
	Water Fund	Transportation and Parking Fund	Golf Course Fund		
Cash flows from operating activities					
Receipts from customers	\$ 3,971,501	\$ 2,185,294	\$ 1,173,560	\$ 7,330,355	\$ 1,881,797
Payments to suppliers	(1,996,085)	(1,496,835)	(361,248)	(3,854,168)	(1,312,158)
Payments to employees	(873,028)	(1,991,108)	(548,805)	(3,412,941)	(475,277)
Net cash provided by (used in) operating activities	<u>1,102,388</u>	<u>(1,302,649)</u>	<u>263,507</u>	<u>63,246</u>	<u>94,362</u>
Cash flows from noncapital financing activities					
Transfer from other fund	-	-	25,000	25,000	-
Transfers to other funds	(1,126,117)	(885,896)	(151,665)	(2,163,678)	-
Transit and resort sales tax	-	2,655,488	-	2,655,488	-
Intergovernmental operating grants	-	50,000	-	50,000	-
Miscellaneous	-	153,678	-	153,678	-
Net cash provided by (used in) noncapital financing activities	<u>(1,126,117)</u>	<u>1,973,270</u>	<u>(126,665)</u>	<u>720,488</u>	<u>-</u>
Cash flows from capital and related financing activities					
Intergovernmental capital grants	-	1,991,288	-	1,991,288	-
Capital contributions	1,664,747	-	-	1,664,747	-
Purchases of capital assets	(3,590,021)	(2,581,758)	(45,895)	(6,217,674)	-
Principal paid on bonds and capital lease	(489,000)	-	(30,754)	(519,754)	-
Interest paid on bonds and capital lease	(303,086)	-	(6,991)	(310,077)	-
Net cash (used in) capital and related financing activities	<u>(2,717,360)</u>	<u>(590,470)</u>	<u>(83,640)</u>	<u>(3,391,470)</u>	<u>-</u>
Cash flows from investing activities					
Interest received on investments	151,597	113,142	7,154	271,893	-
Net cash provided by investing activities	<u>151,597</u>	<u>113,142</u>	<u>7,154</u>	<u>271,893</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents and investments held by city	<u>(2,589,492)</u>	<u>193,293</u>	<u>60,356</u>	<u>(2,335,843)</u>	<u>94,362</u>
Balances—beginning of the year	<u>7,093,258</u>	<u>5,744,681</u>	<u>271,312</u>	<u>13,109,251</u>	<u>3,247,467</u>
Balances—end of the year	<u>\$ 4,503,766</u>	<u>\$ 5,937,974</u>	<u>\$ 331,668</u>	<u>\$ 10,773,408</u>	<u>\$ 3,341,829</u>
Reconciliation to statement of net assets:					
Cash, cash equivalents and investments held by city	\$ 738,935	\$ 5,937,974	\$ 331,668	\$ 7,008,577	\$ 3,341,829
Cash and cash equivalents-restricted	1,014,890	-	-	1,014,890	-
Cash and investments held by fiscal agent	2,749,941	-	-	2,749,941	-
Total cash, cash equivalents and investments	<u>\$ 4,503,766</u>	<u>\$ 5,937,974</u>	<u>\$ 331,668</u>	<u>\$ 10,773,408</u>	<u>\$ 3,341,829</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (188,858)	\$ (1,981,279)	\$ 71,327	\$ (2,098,810)	\$ 91,394
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization expense	1,089,914	745,006	155,410	1,990,330	910
Change in assets and liabilities:					
Receivables, net	(1,133)	(64,942)	6,555	(59,520)	6,479
Inventories	18,295	4,549	13,592	36,436	(15,476)
Prepaid expenses	(15,600)	-	-	(15,600)	-
Accounts and other payables	260,600	(9,578)	14,859	265,881	12,324
Accrued expenses	108,431	3,595	1,764	113,790	(1,269)
Deposits	(169,261)	-	-	(169,261)	-
Net cash provided by (used in) operating activities	<u>\$ 1,102,388</u>	<u>\$ (1,302,649)</u>	<u>\$ 263,507</u>	<u>\$ 63,246</u>	<u>\$ 94,362</u>

The notes to the financial statements are an integral part of this statement.

Noncash investing, capital and financing activities:

The Water Fund received improvements to its water system in the amount of \$1,080,401 representing developer donations. Included in investment income is a decrease of \$12,019 in fair value for the year ended June 30, 2005.

FIDUCIARY FUND

The Park City Agency Fund is used to hold deposits and performance bonds.

Park City Municipal Corporation, Utah
Statement of Fiduciary Net Assets
June 30, 2005

	PARK CITY AGENCY FUND
ASSETS	
Cash, cash equivalents and investments held by city	\$ 1,875,457
Total assets	<u>\$ 1,875,457</u>
LIABILITY	
Deposits payable	\$ 1,875,457
Total liability	<u>\$ 1,875,457</u>

The notes to the financial statements are an integral part of this statement.

**NOTES
TO THE
FINANCIAL
STATEMENTS**

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows.

1. General Information

The Park City Municipal Corporation (the City) is a municipal corporation governed by an elected mayor and five-member Council. The City was chartered March 15, 1884, under the provisions of the Utah Territorial Government and the City operates under a Council-Manager form of government. The City provides the following services as authorized in its charter: public safety (police), highways and streets, cultural and recreational, library, public improvements, planning and zoning, public transportation, water, golf and general administrative services.

2. Reporting Entity

These financial statements include the City and its component units. Component units are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The following entities are treated as blended component units: 1) The Park City Redevelopment Agency (RDA); 2) The Park City Municipal Building Authority (MBA); 3) The Park City Housing Authority (HA); and 4) The Park City Water Service District. All of these entities serve all the citizens of Park City and are governed by Park City's elected City Council. The bond issuance authorization for these entities is approved by the City Council.

It should be noted that the RDA currently has two capital projects funds and two debt service funds. The MBA currently has a capital projects fund and a debt service fund. The HA currently has a capital projects fund.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities. All internal balances in the statement of net assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are recognized as revenues in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable and unearned revenue. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

The Debt Service Funds are used to account for the accumulation of resources for the payment of general obligation bonds, sales tax revenue bonds, and tax increment bonds issued by the RDA.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital improvements (other than those financed by proprietary funds).

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The City reports the following major proprietary funds:

Enterprise Funds are used to account for the operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for City-owned water systems, a public transportation system (bus and trolley system), paid parking system and golf course.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the central financing of goods or services provided by an internal service fund to various departments of the City or other governments on a cost-reimbursement basis. The City currently has two internal service funds. The fleet services fund provides vehicle storage, repair and maintenance. The self-insurance fund was established to allow the City to supplement its regular insurance coverage as further explained in Note K – Risk Management on page 66 of this report.

Agency Funds are used to account for the assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

5. Assets, Liabilities, and Net Assets or Equity

Cash, Cash Equivalents and Investments - Cash and investment management in the City is administered by the City Treasurer in accordance with the Utah Money Management Act, Section 51-7 of the Utah Code (see Note B on pages 49-52 of this report). The City complies with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The City's policy is to report all investments at fair value. The City's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act.

Capital Assets - Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government included all assets with acquisition dates as far back as June 30, 1980. Most of the City's infrastructure assets were valued at historical cost (when available) or estimated historical cost through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City during the current fiscal year was \$79,064. The total interest income received by the City earned on invested bond proceeds was \$76,443. The net amount of \$2,621 was included as part of and thereby increased the cost of capital assets under construction in connection with construction of water treatment facilities.

Art represents a collection of the City and is therefore not depreciated. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Public domain infrastructure	50
System infrastructure	30
Vehicles and equipment	5-20

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Land and Building Held for Resale - The cost of land and building held for resale in the Capital Improvements Fund are capitalized until the related property is subsequently sold. Land and building held for resale are carried at the lower of cost, market or committed sales price. Gains and losses on disposition of land and building held for resale are included in the statement of revenues, expenditures and changes in fund balance. An amount equal to the carrying value of the asset is offset by unearned revenue. See Note O on page 68 of this report.

Use of Restricted/Unrestricted Net Assets - When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Inventories and prepaid items - Inventories of supplies for the proprietary fund types consist principally of items used in repairing and maintaining the water distribution system and transportation equipment. Inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The total unamortized bond issuance costs reported in the government-wide statement of net assets at June 30, 2005 were \$727,226 and the total unamortized bond premiums were \$165,701.

Compensated Absences - Accumulated unpaid vacation is accrued based on the years of service of each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. The maximum amount of accumulated accrued vacation hours are determined by the length of service by each employee according to the following schedule:

0 to 5 years	192 hours
5 to 10 years	240 hours
10 plus years	288 hours

Accumulated vacation cannot exceed these limits at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination in good standing, all unpaid vacation that has been accrued, up to the above limits, is paid. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. See Note E on page 55 of this report.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Balance - Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Reserved for debt service and reserved for capital projects represent the portion of fund balance that is legally restricted as per the bond covenants. Designated fund balances represent tentative plans for future use of financial resources. Designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

Restricted Assets - Certain proceeds of the City's 2002 Water Revenue Refunding Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the proprietary funds' statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "construction fund" account with a balance at June 30, 2005 of \$1,940,799 is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "reserve fund" account with a balance at June 30, 2005 of \$809,142 is used to report resources set aside to make up potential future deficiencies in the revenue bond debt service account.

Water development fees are charged to new customers to pay for the cost of increasing the capacity of the water system to meet the additional demand created by the connection of new customers. The use of water development fees is legally restricted.

6. Budgets

State law requires the City Council to prepare and adopt budgets for all governmental and proprietary funds. The City Manager submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the proposed sources of revenues. Between May 1 and June 15, the City Council reviews and adjusts the City Manager's proposed budget. On or before June 15, a public hearing is held and the budget is legally adopted through passage of a resolution. Budgets are adopted below individual department levels, but control of budget appropriations is exercised, under state law, at the department level (General Government, Public Safety, Public Works and Library and Recreation).

After the budget is adopted, transfers of any unexpended appropriation amount between line items within a major category are to be initiated and approved by each respective department. Transfers between major categories and between programs within the same department and fund are to be initiated by the respective departments and approved by the City Manager. Transfers between capital improvement projects within the same fund are to be initiated by the individual designated as responsible for the project and approved by the City Manager. Transfers that will result in a total change in the appropriation for a project of more than 20 percent or if a project would be eliminated by the transfer must be approved by the City Council. The City Council may reduce or increase the budget of any fund by resolution during the budget year. The City Council must hold a public hearing to increase a fund's budget before it can pass the resolution.

Utah State law prohibits the appropriation of unrestricted general fund balance until it exceeds the sum of five percent of the budgeted general fund revenues. Until unreserved fund balance is greater than the above amount, it cannot be budgeted but is used to provide working capital until tax revenue is received, meet emergency expenditures, and cover unanticipated deficits. When the unreserved fund balance is greater than 18 percent of expected revenues, the excess must be appropriated to capital projects determined to be in the best long-term interest of the City.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

During the year, the general fund budget was increased by \$63,152 under the guidelines described above. The budget adjustments primarily appropriated more funds to the City's Public Safety Department. For the year ended June 30, 2005, expenditures exceeded appropriations in the Public Safety Department (the legal level of budgetary control) by \$57,996. These over-expenditures were funded by greater than anticipated revenues in the general fund.

Budgets are prepared on the modified accrual basis of accounting according to generally accepted accounting principles (GAAP) for governmental funds. Budgets are not prepared for the agency fund since this fund is comprised only of deposits and performance bonds held by the City. Encumbrance accounting is used by the City.

Each year the capital projects fund adjusted budget is comprised of new appropriations from the current year and unexpended appropriations from the prior year, since unexpended capital projects appropriations do not automatically lapse at year end. Major capital project fund budgets included \$26,616,759 and non-major capital project fund budgets included \$3,272,704 for a total of \$29,889,463 of prior-year unexpended capital projects appropriations. See page 95 for additional detail.

The adjusted capital projects fund budget represents the amount available for expenditures in the current year. Future projects and appropriations that are to come from funds available in future years are not reflected in the current year budget.

7. Implementation of New GASB Pronouncements

In fiscal year 2005, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements: Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance recoveries* and Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. These Statements had no effect on the financial statements. The City also implemented Statement No. 44, *Economic Condition Reporting: The Statistical Section*. See the Statistical Section beginning on page 96.

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Each fund type's portion of this pool is displayed on the basic financial statements as "cash, cash equivalents and investments". Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less when purchased meet this definition. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

The following is a summary of cash, cash equivalents and investments at June 30, 2005:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Fund Statement of Net Assets	Total
Held by city-unrestricted	\$ 49,182,093	\$ 7,008,577	\$ 56,190,670	\$ 1,875,457	\$ 58,066,127
Held by city-restricted	6,356,191	1,014,890	7,371,081	-	7,371,081
Total held by city	<u>\$ 55,538,284</u>	<u>\$ 8,023,467</u>	<u>\$ 63,561,751</u>	<u>\$ 1,875,457</u>	<u>\$ 65,437,208</u>
Held by fiscal agent	<u>\$ 18,607,489</u>	<u>\$ 2,749,941</u>	<u>\$ 21,357,430</u>	<u>\$ -</u>	<u>\$ 21,357,430</u>

As of June 30, 2005 the City had the following deposits and investments:

Held by city:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Repurchase agreements	July, 2005	\$ 1,690,842
State investment pool	57 days average	52,255,014
Certificate of deposit	Sept. 9, 2005	1,000,000
Certificate of deposit	March 9, 2006	1,000,000
Securities of U.S. Govt. agencies:		
FNMA	Jan. 30, 2006	1,983,200
FAMC	Feb. 6, 2006	2,477,250
FNMA	March 16, 2006	2,471,250
FHLMC	April 28, 2006	990,100
FHLB	June 30, 2006	993,600
FNMA	Aug. 11, 2006	986,000
Total investments		<u>65,847,256</u>
<u>Deposits</u>		
Cash deposits-net of outstanding checks	N/A	(414,518)
Cash on hand	N/A	4,470
Total cash, cash equivalents and investments held by city		<u><u>\$65,437,208</u></u>

Deposits – State law requires that City deposits be deposited with a “qualified depository” as defined by the Utah Money Management Act (UMMA). “Qualified depository” includes any depository institution that has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and deposits are: (1) Uncollateralized, (2) Collateralized with securities held by the pledging financial institution, or (3) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. As of June 30, 2005 the City's deposits had a carrying value of (\$414,518) and a bank balance of \$25 which is covered by federal depository insurance. The City does not have a deposit policy for custodial credit risk. However, Utah State Law does not require deposits to be insured or collateralized.

Investments –The City's investment policies are also governed by the UMMA. The UMMA mandates that investment transactions be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities.

Custodial Credit Risk for an investment is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: (1) The counterparty or (2) The counterparty's trust department or agent but not in the government's name. Certificates of deposit and repurchase agreements with a qualified depository in the amount of \$2,000,000 and \$1,690,842, respectively, which is the fair value at June 30, 2005, are supported by a safekeeping receipt issued by a qualified depository but the securities are held by the investment's counterparty, not in the name of the City. For other investments in U.S. Government agencies of \$9,901,400 at June 30, 2005, the City uses a qualified depository bank for safekeeping securities for the purpose of settling investment transactions, safekeeping, and collecting those investments. These investments are held by the investment's counterparty, not in the name of the City but are supported by a safekeeping receipt issued by City's bank. The City does not have an investment policy for custodial credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy limits the term of investments to a maximum maturity that shall not exceed five years in order to manage its exposure to fair value losses arising from increasing interest rates. The investment policy also specifies that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy, in compliance with the UMMA limits investments to the following: (1) Negotiable or nonnegotiable deposits of qualified depositories (see definition of qualified depository under "deposits" above). (2) Repurchase agreements with qualified depositories or primary reporting dealers only if these securities are delivered to the custody of the City Treasurer or the City's safekeeping bank or are conducted with a qualified depository. (3) Commercial paper which is rated P-1 by Moody's Investor Services or A-1 by Standard and Poors, Inc., having a remaining term to maturity of 270 days or less. (4) Bankers' acceptances that are eligible for discount at a federal reserve bank and which have a remaining term to maturity of 270 days or less. (5) Obligations of the United States Treasury, including Treasury Bills, Treasury Notes, and United

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

States Treasury Bonds. (6) Obligations other than mortgage pools and other mortgage derivative products issued by or fully guaranteed as to principal and interest by the following agencies of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Student Loan Marketing Association, Federal Home Loan Mortgage Corporation, Federal Agriculture Mortgage Corporation, and the Tennessee Valley Authority. (7) The Utah State Treasurer's Investment Pool. (8) Tax anticipation and general obligation bonds of the state or a county, an incorporated city or town, a school district or other subdivision of the State of Utah. The U.S. Government Agency securities owned by the City are rated AAA or equivalent by at least two nationally recognized statistical rating agencies. The Utah State Treasurer's Investment Pool is not rated. The fair value of the position of the Utah State Treasurer's Investment Pool is the same as the value of the pool shares. All investments of the Utah State Treasurer's Investment Pool must comply with the UMMA and Rules of the State Money Management Council. The Pool invests primarily in money market securities including time certificates of deposit and top-rated domestic commercial paper. No more than 5.0 percent of the pool may be invested with a single issuer. Investment activity of the State Treasurer is reviewed monthly by the Utah Money Management Council and is audited by the Utah State Auditor. Pool deposits are not insured or otherwise guaranteed by the State of Utah.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy authorizes investments to be made in accordance with the UMMA and further specifies that with the exception of U.S. Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type. None of the City's investments exceed this limit.

NOTE C – NOTES RECEIVABLE

Notes receivable of the governmental fund types at June 30, 2005 include various affordable housing and employee housing assistance loans with interest rates ranging from 3.00% to 8.00%. The following is a schedule of future principal and interest payments required under the terms of the notes receivable as of June 30, 2005:

<u>Fiscal year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 115,525	\$ 54,882	\$ 170,407
2007	16,396	51,568	67,964
2008	15,945	51,072	67,017
2009	14,872	50,899	65,771
2010	6,977	4,746	11,723
2011 and thereafter	<u>1,257,957</u>	<u>802,359</u>	<u>2,060,316</u>
Total	<u>\$ 1,427,672</u>	<u>\$ 1,015,526</u>	<u>\$ 2,443,198</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land and water rights	\$ 61,229,778	\$ 1,998,214	\$ -	\$ 63,227,992
Construction in progress	738,124	3,444,503	(607,180)	3,575,447
Art	83,480	125,865	-	209,345
Total capital assets, not being depreciated	<u>62,051,382</u>	<u>5,568,582</u>	<u>(607,180)</u>	<u>67,012,784</u>
Capital assets, being depreciated:				
Buildings	7,991,714	155,640	(453,578)	7,693,776
Improvements other than building	14,596,107	424,416	(144,502)	14,876,021
Vehicles and equipment	6,944,115	563,316	(224,433)	7,282,998
Infrastructure	79,079,677	1,579,244	-	80,658,921
Total capital assets, being depreciated	<u>108,611,613</u>	<u>2,722,616</u>	<u>(822,513)</u>	<u>110,511,716</u>
Less accumulated depreciation for:				
Buildings	(2,716,643)	(343,477)	27,552	(3,032,568)
Improvements other than building	(9,839,236)	(572,485)	84,480	(10,327,241)
Vehicles and equipment	(5,401,348)	(581,410)	219,780	(5,762,978)
Infrastructure	(49,430,260)	(3,269,886)	-	(52,700,146)
Total accumulated depreciation	<u>(67,387,487)</u>	<u>(4,767,258)</u>	<u>331,812</u>	<u>(71,822,933)</u>
Total capital assets, being depreciated, net	<u>41,224,126</u>	<u>(2,044,642)</u>	<u>(490,701)</u>	<u>38,688,783</u>
Governmental activities capital assets, net	<u>\$ 103,275,508</u>	<u>\$ 3,523,940</u>	<u>\$ (1,097,881)</u>	<u>\$ 105,701,567</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and water rights	\$ 6,917,154	\$ -	\$ -	\$ 6,917,154
Construction in progress	1,080,688	3,037,637	(8,686)	4,109,639
Art	109,214	-	-	109,214
Total capital assets, not being depreciated	<u>8,107,056</u>	<u>3,037,637</u>	<u>(8,686)</u>	<u>11,136,007</u>
Capital assets, being depreciated:				
Buildings	6,595,315	-	-	6,595,315
Improvements other than building	34,117,370	1,741,104	(3,104)	35,855,370
Vehicles and equipment	7,508,138	2,530,641	(308,655)	9,730,124
Total capital assets, being depreciated	<u>48,220,823</u>	<u>4,271,745</u>	<u>(311,759)</u>	<u>52,180,809</u>
Less accumulated depreciation for:				
Buildings	(1,688,632)	(280,224)	-	(1,968,856)
Improvements other than building	(14,480,984)	(1,232,021)	3,104	(15,709,901)
Vehicles and equipment	(5,415,128)	(470,611)	308,655	(5,577,084)
Total accumulated depreciation	<u>(21,584,744)</u>	<u>(1,982,856)</u>	<u>311,759</u>	<u>(23,255,841)</u>
Total capital assets, being depreciated, net	<u>26,636,079</u>	<u>2,288,889</u>	<u>-</u>	<u>28,924,968</u>
Business-type activities capital assets, net	<u>\$ 34,743,135</u>	<u>\$ 5,326,526</u>	<u>\$ (8,686)</u>	<u>\$ 40,060,975</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE D – CAPITAL ASSETS, Continued

Depreciation expense was charged to functions for the year ended June 30, 2005 as follows:

Governmental activities:

General government	\$ 498,351
Public safety	73,839
Public works	3,929,936
Library and recreation	264,222
Depreciation on internal service fund capital assets	910
Total governmental activities depreciation expense	<u>\$ 4,767,258</u>

Business-type activities:

Water	\$ 1,082,440
Transportation and parking	745,006
Golf course	155,410
Total business-type activities depreciation expense	<u>\$ 1,982,856</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2005:

	Beginning Balance July 1, 2004	Additions	Reductions	Bond Amorti- zation	Ending Balance June 30, 2005	Due Within One Year
Governmental activities:						
Contracts payable:						
Contract payable	\$ 773,528	\$ -	\$ (41,985)	\$ -	\$ 731,543	\$ 45,134
Contract payable-RDA	126,515	-	(126,515)	-	-	-
Total contracts payable	900,043	-	(168,500)	-	731,543	45,134
General obligation bonds:						
1999 series	3,010,000	-	(240,000)	-	2,770,000	250,000
2000 series	4,610,000	-	(325,000)	-	4,285,000	340,000
2003 series	4,680,000	-	(275,000)	-	4,405,000	280,000
2004 series-principal	-	9,000,000	(545,000)	-	8,455,000	475,000
2004 series-premium	-	116,518	-	(7,407)	109,111	-
Total general obligation bonds	12,300,000	9,116,518	(1,385,000)	(7,407)	20,024,111	1,345,000
Revenue bonds:						
Redevelopment Agency - Main St.						
2001A series	420,000	-	(205,000)	-	215,000	215,000
2001B series	1,325,000	-	(655,000)	-	670,000	670,000
Redevelopment Agency - Lower Pk.						
1998 series	5,135,000	-	(400,000)	-	4,735,000	415,000
Sales tax revenue bonds						
2005A series-principal	-	15,500,000	-	-	15,500,000	600,000
2005A series-premium	-	25,377	-	(224)	25,153	-
2005B refunding-principal	-	4,500,000	-	-	4,500,000	530,000
2005B refunding-premium	-	32,080	-	(643)	31,437	-
Municipal Building Authority						
1996 series	5,455,000	-	(5,455,000)	-	-	-
1999 refunding	3,130,000	-	(3,130,000)	-	-	-
Total revenue bonds	15,465,000	20,057,457	(9,845,000)	(867)	25,676,590	2,430,000
Compensated absences	329,809	363,008	(337,624)	-	355,193	-
Total governmental activities	\$ 28,994,852	\$ 29,536,983	\$ (11,736,124)	\$ (8,274)	\$ 46,787,437	\$ 3,820,134
Business-type activities:						
2002 water revenue refunding	\$ 7,917,000	\$ -	\$ (489,000)	\$ -	\$ 7,428,000	\$ 503,000
Note payable-golf carts	121,676	-	(30,754)	-	90,922	90,922
Compensated absences	78,386	85,005	(78,484)	-	84,907	-
Total business-type activities	\$ 8,117,062	\$ 85,005	\$ (598,238)	\$ -	\$ 7,603,829	\$ 593,922

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$22,206 of internal service fund compensated absences are included in the above amounts. Also, for the governmental activities compensated absences are liquidated by the general fund.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

General Obligation Bonds

In August, 1999 the City issued General Obligation Bonds, Series 1999 in the amount of \$4,085,000 pursuant to a special bond election held on November 3, 1998. In November, 2000 the City issued General Obligation Bonds, Series 2000 in the amount of \$5,915,000 pursuant to a special bond election held on November 3, 1998. In September, 2003 the City issued General Obligation Bonds, Series 2003 in the amount of \$5,000,000 plus a premium in the amount of \$24,109 pursuant to a special bond election held on November 5, 2002. The proceeds of all three of the bonds were used to acquire and forever preserve undeveloped park and recreational land. On July 22, 2004 Park City Municipal Corporation issued General Obligation Bonds, Series 2004 in the amount of \$9,000,000 plus a premium of \$116,518. Proceeds of the bonds are for two distinct projects and were authorized by two separate ballot propositions. Pursuant to a special bond election held on November 5, 2002, approximately \$5 million of the bond proceeds will be used to acquire and preserve undeveloped park and recreational land. Pursuant to a special bond election held on November 6, 2001, approximately \$4 million of the bond proceeds will be used to construct an ice facility and make park improvements. Repayments are made from property tax revenues recorded in the Park City General Obligation Debt Service Fund. The debt service requirements for the bonds at June 30, 2005 were as follows:

Fiscal Year Ending June 30,	Series 2000 Dated Nov. 15, 2000, \$5,915,000 @ 4.75% to 5.25% per annum paid semi- annually (Nov. & May)		Series 1999 Dated Aug. 15, 1999, \$4,085,000 @ 4.5% to 5.25% per annum paid semi- annually (Nov. & May)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 340,000	\$ 212,800	\$ 250,000	\$ 139,837
2007	360,000	195,800	260,000	126,712
2008	375,000	177,800	275,000	113,063
2009	395,000	159,050	290,000	98,625
2010	415,000	140,287	305,000	84,125
2011	435,000	120,367	320,000	69,180
2012	455,000	99,052	340,000	53,500
2013	480,000	76,530	360,000	36,500
2014	500,000	52,530	370,000	18,500
2015	530,000	27,030	-	-
Total	<u>\$ 4,285,000</u>	<u>\$ 1,261,246</u>	<u>\$ 2,770,000</u>	<u>\$ 740,042</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

General Obligation Bonds, Continued

Fiscal Year Ending June 30,	Series 2004 Dated July 22, 2004, \$9,000,000 @ 3.125% to 4.20% per annum paid semi- annually (Nov. & May)		Series 2003 Dated Sept. 23, 2003, \$5,000,000 @ 2.00% to 4.05% per annum paid semi- annually (Nov. & May)	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 475,000	\$ 319,502	\$ 280,000	\$ 151,475
2007	490,000	304,658	285,000	145,875
2008	510,000	289,346	295,000	138,750
2009	525,000	272,771	300,000	131,375
2010	540,000	255,708	310,000	121,475
2011	560,000	236,809	325,000	110,625
2012	580,000	216,649	335,000	98,925
2013	605,000	193,449	345,000	86,865
2014	630,000	169,249	360,000	74,445
2015	655,000	144,049	370,000	61,305
2016	680,000	117,849	385,000	47,430
2017	705,000	90,649	400,000	32,608
2018	735,000	62,449	415,000	16,808
2019	765,000	32,130	-	-
Total	8,455,000	2,705,267	4,405,000	1,217,961
Plus unamortized premium	109,111	-	-	-
Total	<u>\$ 8,564,111</u>	<u>\$ 2,705,267</u>	<u>\$ 4,405,000</u>	<u>\$ 1,217,961</u>

Redevelopment Agency Capital Projects Funds and Bonds

The City maintains capital project funds for the Main Street Redevelopment Agency and the Lower Park Avenue Redevelopment Agency. For the fiscal year ended June 30, 2005 the tax increment collected by the Main Street Redevelopment Agency was \$1,300,000 and the tax increment collected by the Lower Park Avenue Redevelopment Agency was \$2,173,064. The tax increment paid to another taxing agency by the Main Street Redevelopment Agency and by the Lower Park Avenue Redevelopment Agency was \$394,462 and \$683,346, respectively.

During the fiscal year, the Main Street Redevelopment Agency expended \$126,350 for site improvements and incurred \$30,000 in administrative costs. The Lower Park Avenue Redevelopment Agency expended \$143,756 for site improvements and incurred \$30,000 in administrative costs.

Lower Park Avenue Redevelopment Agency

In November, 1998 the Lower Park Avenue Redevelopment Agency of Park City issued Tax Increment Revenue Bonds, Series 1998 in the amount of \$7,000,000 to finance the cost of certain land and property acquired by the RDA, as well as infrastructure improvements, including curb and gutter, street paving, landscaping and other costs relating to transportation, communications and recreation facilities. Repayments are made from incremental property taxes recorded in the Lower Park Avenue Redevelopment Agency Capital Projects Fund.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E - LONG-TERM OBLIGATIONS, Continued

The outstanding principal amount and debt service requirements of debt issued to finance the costs associated with the Lower Park Avenue RDA projects at June 30, 2005 were as follows:

		RDA Tax Increment Revenue Bonds, dated Nov. 1, 1998, \$7,000,000 due June 15, 4.0% to 5.125% paid annually	
Fiscal Year Ending June 30,		PRINCIPAL	INTEREST
2006	\$	415,000	\$ 218,685
2007		390,000	201,462
2008		405,000	184,888
2009		425,000	167,472
2010		445,000	148,879
2011		465,000	129,299
2012		400,000	108,374
2013		415,000	89,974
2014		435,000	70,469
2015		460,000	48,175
2016		480,000	24,600
Total	\$	<u>4,735,000</u>	<u>\$ 1,392,277</u>

In September, 1999 the Lower Park Avenue Redevelopment Agency of Park City purchased property in the RDA for \$163,000. The City executed a contract payable to the seller for this amount with interest at 6.50 percent per annum payable at \$1,420 per month. The contract payable was paid-in-full as of the end of the fiscal year.

Main Street Redevelopment Agency

In November, 2001 the Main Street Redevelopment Agency of Park City issued Tax Increment Revenue Refunding Bonds, Series 2001A in the amount of \$800,000 and Tax Increment Revenue Refunding Bonds, Series 2001B in the amount of \$2,580,000. The bond proceeds were used to refund \$980,000 of Tax Increment Revenue Refunding Bonds Series 1997A and \$2,380,000 of Tax Increment Revenue Refunding Bonds Series 1997B. New money in the amount of \$114,304 was received from the 2001B Series Bonds. Repayments are made from incremental property taxes recorded in the Main Street RDA Capital Projects Fund. The outstanding principal amount and debt service requirements of debt issued to finance the costs associated with the Main Street RDA projects at June 30, 2005 were as follows:

		RDA Tax Increment Refunding Bonds, dated Nov. 30, 2001A, \$800,000 due Dec. 30, @ 3.18% paid semiannually		RDA Tax Increment Refunding Bonds, dated Nov. 30, 2001B, \$2,580,000 due Dec. 30, @ 3.18% paid semiannually	
Fiscal Year Ending June 30,		PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$	<u>215,000</u>	<u>\$ 3,419</u>	<u>\$ 670,000</u>	<u>\$ 10,653</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

Other Debt

On December 30, 1996 the City purchased open space property for \$1,095,908. The City executed a contract payable to the seller for this amount with interest at 7.50 percent per annum, payable \$100,000 per year on December 15. The debt service requirements for the contract payable at June 30, 2005 were as follows:

Fiscal Year Ending		
June 30,	PRINCIPAL	INTEREST
2006	\$ 45,134	\$ 54,866
2007	48,520	51,480
2008	52,158	47,842
2009	56,070	43,930
2010	60,276	39,724
2011	64,796	35,204
2012	69,656	30,344
2013	74,880	25,120
2014	80,496	19,504
2015	86,533	13,467
2016	93,024	6,976
Total	\$ <u>731,543</u>	\$ <u>368,457</u>

Water Revenue Refunding Bonds

On December 30, 2002 the City issued \$9,000,000 in Water Revenue and Refunding Bonds Series 2002. The bond proceeds were used to refund \$1,285,000 of outstanding Water Revenue Refunding Bonds Series 1994 and \$1,663,605 of Subordinated Water Revenue Bonds Series 1991. New money in the amount of \$5,567,783 was received to finance the construction of water treatment facilities. The bonds bear interest at 2.1 percent to 4.05 percent paid semiannually. The bonds incurred bond issue costs of \$108,250 which were recorded as an asset and amortized over the life of the bond on a straight line basis. Repayments on the debt are made from the net revenues of the Water Fund. The debt service requirements for the water refunding bonds at June 30, 2005 were as follows:

Fiscal Year Ending		
June 30,	PRINCIPAL	INTEREST
2006	\$ 503,000	\$ 286,905
2007	519,000	270,809
2008	537,000	253,059
2009	556,000	233,996
2010	577,000	213,424
2011	599,000	191,209
2012	623,000	167,549
2013	648,000	142,317
2014	674,000	116,073
2015	702,000	88,776
2016	730,000	60,345
2017	760,000	30,780
Total	\$ <u>7,428,000</u>	\$ <u>2,055,242</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

Sales Tax Revenue Bonds

On May 9, 2005 the City issued Sales Tax Revenue Bonds, Series 2005A in the amount of \$15,500,000 plus a premium of \$25,377 and Sales Tax Revenue and Refunding Bonds, Series 2005B in the amount of \$4,500,000 plus a premium of \$32,080. The proceeds from the sale of the Series 2005A Bonds will be used for the purpose of financing the cost associated with the acquisition, construction, and equipping of a public safety building, recreation complex, parking structure expansion and improvements, park improvements, road improvements and other City-owned capital improvements and paying the costs of issuance of the Series 2005 Bonds. The proceeds from the Series 2005B Bonds were used to refund the MBA Series 1996 and 1999 Revenue Bonds. The Series 2005 Bonds are special limited obligations of the City, payable solely from and secured solely by a pledge of revenues from (i) 100 percent of the revenues received by the City from the local sales and use tax levied by the City pursuant to the Utah Local Sales and Use Tax Act, Title 59, Chapter 12, Part 2, Utah Code and (ii) 75 percent of the revenues received by the City from the resort communities tax levied by the City pursuant to Title 59, Chapter 12, Part 4 of the Utah Code. The Series 2005 Bonds do not constitute a pledge of the ad valorem taxing power or the full faith and credit of the City. The debt service requirements for the bonds at June 30, 2005 were as follows:

Fiscal Year Ending June 30,	Series 2005A, \$15,500,000 @ 3.25% - 5.00% paid semiannually		Series 2005B, \$4,500,000 @ 3.00% - 4.00% paid semiannually	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 600,000	\$ 660,096	\$ 530,000	\$ 173,759
2007	1,155,000	580,588	715,000	142,062
2008	1,195,000	543,050	740,000	120,613
2009	1,235,000	501,225	595,000	92,862
2010	780,000	454,912	620,000	70,550
2011	805,000	427,612	640,000	50,400
2012	835,000	399,438	660,000	26,400
2013	865,000	370,212	-	-
2014	900,000	335,612	-	-
2015	935,000	299,612	-	-
2016	985,000	252,862	-	-
2017	1,020,000	213,463	-	-
2018	1,060,000	172,663	-	-
2019	1,105,000	130,263	-	-
2020	1,150,000	86,063	-	-
2021	875,000	37,188	-	-
Total	15,500,000	5,464,859	4,500,000	676,646
Plus unamortized premium	25,153	-	31,437	-
Total	\$ 15,525,153	\$ 5,464,859	\$ 4,531,437	\$ 676,646

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

Defeasance of debt

An aggregate amount of \$5,127,455 (representing \$4,143,153 of proceeds of the 2005B Sales Tax Bonds together with \$823,907 released from the debt service reserve fund securing the MBA Series 1996 Bonds, and \$160,395 of City funds) advance refunded \$4,890,000 of outstanding 1996 series MBA revenue bonds with an average interest rate of 5.5 percent. The 1996 Series MBA Bonds were issued on September 15, 1996 in the amount of \$8,260,000 to finance: 1) the construction of a public works facility; 2) the purchase of water rights and related land, and 3) improvements to existing City facilities. The proceeds related to the advance refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to be used to (i) pay when due the principal of and interest on the Series 1996 Bonds through December 30, 2006 and (ii) redeem on December 30, 2006 all of the series 1996 Bonds maturing after December 30, 2006, at a redemption price of 100 percent of the principal amount thereof. As a result the 1996 series MBA revenue bonds were defeased and were removed from the City's financial statements.

An aggregate amount of \$2,258,471 (representing \$387,745 of proceeds of the Series 2005B Sales Tax Bonds together with \$595,031 released from the debt service reserve fund securing the MBA Series 1999 Bonds and \$1,275,695 of City funds) currently refunded \$2,205,000 of outstanding MBA Series 1999 Bonds with an average interest rate of 4.85 percent. The 1999 Series MBA Bonds were issued on December 15, 1999 in the amount of \$5,900,000 to refund the 1994 Series MBA Bonds in the amount of \$3,955,000. New money in the amount of \$1,465,000 was received to pay for improvements to existing City facilities. Of that amount, \$1,396,754 was transferred to the Sales Tax 2005A Construction Subaccount to be used to pay for improvements to existing City facilities.

The refundings discussed above resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) to the City of approximately \$173,100. The refundings also decreased the City's total debt service payments over the next 7 years by approximately \$1,263,108.

Note Payable

The golf course has entered into a lease agreement as lessee for financing the acquisition of golf carts costing \$216,008. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the golf fund. The lease has an interest rate of 5.6%. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

	Capital Lease
Year ending June 30:	
2006	\$ 96,146
Total future minimum lease payments	96,146
Less amount representing interest at 5.6%	(5,224)
Total principal	90,922
Less current portion	(90,922)
Long-term portion	\$ -

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE E – LONG-TERM OBLIGATIONS, Continued

The annual requirements to amortize long-term debt outstanding as of June 30, 2005 by activity are as follows:

Year ending June 30,	Governmental Activities			Business-Type Activities
	Contracts Payable	General Obligation Bonds	Revenue Bonds	
Principal				
2006	\$ 45,134	\$ 1,345,000	\$ 2,430,000	\$ 593,922
2007	48,520	1,395,000	2,260,000	519,000
2008	52,158	1,455,000	2,340,000	537,000
2009	56,070	1,510,000	2,255,000	556,000
2010	60,276	1,570,000	1,845,000	577,000
2011-2015	376,361	8,555,000	7,815,000	3,246,000
2016-2021	93,024	4,085,000	6,675,000	1,490,000
Total	<u>731,543</u>	<u>19,915,000</u>	<u>25,620,000</u>	<u>7,518,922</u>
Plus unamortized premium	-	109,111	56,590	-
Total	<u>\$ 731,543</u>	<u>\$ 20,024,111</u>	<u>\$ 25,676,590</u>	<u>\$ 7,518,922</u>
Interest				
2006	\$ 54,866	\$ 823,614	\$ 1,066,612	\$ 292,129
2007	51,480	773,045	924,112	270,809
2008	47,842	718,959	848,551	253,059
2009	43,930	661,821	761,559	233,996
2010	39,724	601,595	674,341	213,424
2011-2015	123,639	1,945,559	2,355,577	705,924
2016-2021	6,976	399,923	917,102	91,125
Total	<u>\$ 368,457</u>	<u>\$ 5,924,516</u>	<u>\$ 7,547,854</u>	<u>\$ 2,060,466</u>

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE F – RETIREMENT PLANS

Pension Plans

Plan Description - The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board (the Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00 percent of their annual covered salary (all paid by the employer for the employee) and the City is required to contribute 7.08 percent of their annual covered salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute 11.09 percent of their annual covered salary. In the Public Safety Retirement System for employers with Social Security coverage contributory division members are required to contribute 12.29 percent of their salary (all paid by the employer for the employee) and the City is required to contribute 7.70 percent of their annual salary and 19.08 percent of their annual covered salary for members in the non-contributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004 and 2003 were \$167,999, \$163,459, and \$141,660, respectively, and for the Noncontributory Retirement System the contributions for June 30, 2005, 2004 and 2003 were \$435,816, \$366,187, and \$307,392, respectively, and for the Public Safety Retirement System for employers with Social Security coverage the contributions for June 30, 2005, 2004 and 2003 were \$194,919, \$168,509, and \$134,528, respectively. Actual contributions for the past three years equaled the required contributions.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE G - DEFINED CONTRIBUTION PLANS

Section 401(a) defined contribution money purchase plan

The City sponsors a defined contribution plan under Internal Revenue Code Section 401(a) for all full-time City employees not covered by the Public Safety Retirement System for employers with Social Security coverage.

The ICMA Retirement Corporation administers this plan. The City's total payroll in the fiscal year ended June 30, 2005 was \$10,465,444. Of that amount, \$6,210,018 was eligible to participate in this plan. The City participated at a rate of .5 percent, under City resolution for the year ended June 30, 2005 for employees covered by the State Contributory System retirement plan, 2.17 percent for employees covered by the state Noncontributory System retirement plan, and 13.26 percent under State Statue for a limited number of employees that are exempt from the state plan. During the year ended June 30, 2005 contributions totaling \$213,057 or 3.43 percent of covered payroll were made by the City. Employer contributions are fully vested in one year. All contributions were made by the due dates. The 401(a) defined contribution monies are not available to the City or its general creditors. Therefore, no assets or liabilities of the 401(a) defined contribution plan are reflected in the financial statements.

Section 457 deferred compensation plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. The City's total payroll in the fiscal year ended June 30, 2005 was \$10,465,444. The City's covered payroll eligible for this plan totaled \$7,696,950 for the year ended June 30, 2005. The City participates in employer benefits of \$150 per month for those employees who have chosen single health insurance coverage and match the employees' voluntary contribution amount at fifty cents on the dollar to a maximum contribution of \$900. Contributions totaling \$204,051 or 2.66 percent of covered payroll were made by the City and voluntary contributions totaling \$403,185 or 5.24 percent of covered payroll were made by employees. All contributions were made by the due dates.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries, except that expenses and taxes may be paid from the Trust. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the plan's administrator under one of seven investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. All of the assets and income of the 457 Plan are held in investment fund trusts by ICMA for the exclusive benefit of the participants or their beneficiaries rather than as assets of the employer. As ICMA is the fiduciary of these assets, the City is no longer required to report the assets.

Loans or notes between the City and the defined contribution plans - There are no securities, loans or notes of the City included in the plans assets.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE H - COMMITMENTS AND CONTINGENCIES

There are several pending lawsuits in which the City is involved. The City Attorney estimates the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial position of the City.

Commitments for major construction and capital improvement projects at June 30, 2005 are as follows:

Capital Projects Fund	\$15,085,724
Enterprise Fund	\$ 295,239

NOTE I- INTERGOVERNMENTAL REVENUES

Intergovernmental revenues were received by governmental fund types for the year ended June 30, 2005. They consist of the following:

State of Utah Class "C" road allotments	\$ 295,752
State contribution	39,874
County contribution	269,112
Federal contribution	<u>58,216</u>
Total	<u>\$ 662,954</u>

NOTE J - DUE TO/FROM OTHER FUNDS

Due to cash flow needs of the Sales Tax Revenue and Refunding Bonds Debt Service Fund, the sum of \$369,710 was advanced from the Capital Improvements Fund at June 30, 2005. This amount was repaid shortly after the end of the fiscal year as cash became available. The advance carries no interest and has no specific repayment terms.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1989, the City established a Self Insurance Fund (an internal service fund) to account for and finance its uninsured risk of loss. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$50,000 per each occurrence for general liability, errors and omissions, and auto. The City purchases commercial insurance for claims in excess of coverage provided by the Self Insurance Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities are recorded for any claim or judgment when information available prior to issuance of the financial statements indicates it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities are as follows:

Unpaid claims as of June 30, 2003	\$ -
Incurred claims	63,198
Claim payments	<u>(63,198)</u>
Unpaid claims as of June 30, 2004	-
Incurred claims	136,196
Claim payments	<u>(136,196)</u>
Unpaid claims as of June 30, 2005	<u><u>\$ -</u></u>

NOTE L – BUDGET RECONCILIATION

A reconciliation of the original 2004-2005 budget, to the final legally adopted budget for all governmental fund types net of transfers approved in June 2005 is as follows:

	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Budget as Revised</u>
General Fund:			
Revenues	\$ 16,818,125	\$ 3,711,425	\$ 20,529,550
Expenditures	17,114,472	63,152	17,177,624
Debt Service Funds:			
Revenues	\$ 2,808,960	\$ (27,777)	\$ 2,781,183
Expenditures	4,858,885	3,843,313	8,702,198
Capital Projects Funds:			
Revenues	\$ 19,467,356	\$ (14,232,852)	\$ 5,234,504
Expenditures	19,311,957	20,398,326	39,710,283

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE M – INTERFUND TRANSFERS

Fund Financial Statements

Transfers were made to and from several funds during the course of the year ended June 30, 2005. An interfund transfer is a legally authorized transfer between funds in which one fund is responsible for the initial receipt of funds and another fund is responsible for the actual disbursement. The more significant examples include the transfer of \$500,000 from the general fund to the sales tax revenue bond debt service fund and \$890,000 from the Lower Park Avenue RDA capital projects fund to the Lower Park Avenue debt service fund to support principal and interest payments on debt. A one-time transfer for \$4,532,080 was made from the sales tax revenue bonds debt service fund to the Municipal Building Authority debt service fund to transfer proceeds used to refund the 1996 and 1999 Municipal Building Authority Revenue Bonds. The general fund also transferred \$4.6 million to the capital improvements fund for future construction projects and \$700,000 to the equipment replacement capital projects fund for future replacement of rolling stock and computer equipment. Transfers to general fund were comprised of: \$30,000 received from the Lower Park Avenue RDA capital projects fund, \$30,000 received from the Main Street RDA capital projects fund, \$654,629 from the water fund, \$634,730 from the transportation and parking fund and \$101,085 from the golf fund for administrative expenses. Listed below are interfund transfers for the year ended June 30, 2005:

Transfers in to:						Business- Type Activities	
Governmental Activities							
Major Funds							
General Fund	Capital Improvement Fund	Municipal Building Authority - DSF	Sales Tax Revenue & Refunding - DSF	Nonmajor Funds	Golf Course Fund		
						Total	
<u>Transfers out from:</u>							
Governmental activities							
Major funds:							
General fund	\$ -	\$ 4,609,487	\$ 950,000	\$ 500,000	\$ 700,000	\$ 25,000	\$ 6,784,487
Debt service fund MBA	-	-	-	1,397,936	-	-	1,397,936
Dsf sales tax revenue bonds	-	1,450,000	4,532,080	-	-	-	5,982,080
Debt service fund g.o. bonds	-	8,372,883	-	-	-	-	8,372,883
RDA cip - park ave	30,000	-	-	-	890,000	-	920,000
Nonmajor funds:							
Other funds	30,000	472,331	-	-	690,000	-	1,192,331
Business-type activities							
Water fund	654,629	-	353,619	117,869	-	-	1,126,117
Transport. & parking	634,730	-	188,379	62,787	-	-	885,896
Golf course fund	101,085	-	50,580	-	-	-	151,665
Total	\$ 1,450,444	\$ 14,904,701	\$ 6,074,658	\$ 2,078,592	\$ 2,280,000	\$ 25,000	\$ 26,813,395

Government-Wide Financial Statements

Per GASB Statement No. 34, all interfund transfers within governmental activities and business-type activities are eliminated. Transfers between governmental and business-type activities are shown on the Statement of Activities and Changes in Net Assets and eliminated in the total column.

PARK CITY MUNICIPAL CORPORATION, UTAH
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2005

NOTE N - TAXES

Before June 15 of each year, the City sets the property tax rate for various municipal purposes. If the City intends to increase property tax revenues above the tax rate of the previous year, state law requires the City to provide public notice to property owners and hold public hearings. All property taxes levied by the City are assessed and collected by Summit and Wasatch Counties. Property taxes are levied on January 1 on real property values assessed as of the same date. Taxes are due November 30 and delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15 of the following year, a lien is attached to the property and the amount of taxes and penalties bear interest from January 1 until paid. If after five years delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the City from the County on a monthly basis.

Sales and resort taxes are collected by the State Tax Commission and remitted to the City monthly. Franchise taxes are collected by the telephone, natural gas, electric utilities, cable television and sewer companies and remitted to the City periodically.

NOTE O - UNEARNED REVENUE

Government-Wide Financial Statements

The following is the unearned revenue at June 30, 2005.

	<u>Governmental Activities</u>
Property tax levied - not yet collected	\$ 11,629,208
Land/building held for resale	763,038
Total	<u>\$ 12,392,246</u>

Fund Financial Statements

At June 30, 2005, the following unearned revenues were recorded in the fund financial statements because the funds were not available to finance expenditures of the current period.

	<u>General</u>	<u>Debt Service - Park City General Obligation</u>	<u>Capital Projects - Capital Improvement Fund</u>	<u>Capital Projects - Lower Park Avenue Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Mortgage assistance loans to employees	\$ 13,674	\$ -	\$ 1,413,998	\$ -	\$ -	\$ 1,427,672
Property tax levied-not yet collected	6,070,528	2,085,616	-	2,173,064	1,300,000	11,629,208
Land/building held for resale	-	-	763,038	-	-	763,038
Total	<u>\$ 6,084,202</u>	<u>\$ 2,085,616</u>	<u>\$ 2,177,036</u>	<u>\$ 2,173,064</u>	<u>\$ 1,300,000</u>	<u>\$ 13,819,918</u>

Park City Municipal Corporation



**SUPPLEMENTARY
INFORMATION**

Park City Municipal Corporation



NONMAJOR GOVERNMENTAL FUNDS

Main Street Redevelopment Agency Debt Service Fund - Accounts for the accumulation of money for the repayment of the 2001 A and B tax increment refunding bonds. The principal source of revenue is property tax increment from the redevelopment area.

Lower Park Avenue Redevelopment Agency Debt Service Fund - Accounts for the accumulation of money for the repayment of the 1998 series tax increment revenue bonds and a contract payable. The principal source of revenue is property tax increment from the redevelopment area.

Main Street Redevelopment Agency Capital Projects Fund - Accounts for capital projects in the Main Street Redevelopment area.

Municipal Building Authority - The Municipal Building Authority is a legally separate organization that is a mechanism for financing needed City facilities. The Authority acquires and/or builds facilities by borrowing money secured by a lease agreement between the City and the Authority.

Housing Authority Capital Projects Fund - The Housing Authority is a legally separate organization that is controlled and administered by the City.

Equipment Replacement Capital Projects Fund - Accounts for the accumulation of resources for the future replacement of fixed assets such as computers, vehicles and heavy equipment.

Park City Municipal Corporation, Utah
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Debt Service Funds		
	Main Street Redevelopment Agency	Lower Park Ave. Redevelopment Agency	Total
ASSETS			
Cash, cash equivalents and investments held by city	\$ 325,589	\$ 12,155	\$ 337,744
Cash and investments held by fiscal agent	35,349	2,115,680	2,151,029
Receivables			
Taxes	-	-	-
Accounts	-	-	-
Total assets	\$ 360,938	\$ 2,127,835	\$ 2,488,773
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Deposits	-	400,000	400,000
Deferred revenue	-	-	-
Total liabilities	-	400,000	400,000
Fund balances			
Reserved for:			
Capital projects	-	1,025,952	1,025,952
Debt service	35,349	689,728	725,077
Unreserved, designated for, reported in:			
Capital projects	-	-	-
Debt service	325,589	12,155	337,744
Unreserved, undesignated reported in:			
Capital projects	-	-	-
Total fund balances	360,938	1,727,835	2,088,773
Total liabilities and fund balances	\$ 360,938	\$ 2,127,835	\$ 2,488,773

The notes to the financial statements are an integral part of this statement.

Capital Projects Funds					
Main Street Redevelopment Agency	Municipal Building Authority	Housing Authority	Equipment Replacement CIP	Total	Total Nonmajor Governmental
\$ 1,376,754	\$ 1,295,337	\$ 61,590	\$ 2,549,622	\$ 5,283,303	\$ 5,621,047
-	-	-	-	-	2,151,029
1,300,000	-	-	-	1,300,000	1,300,000
1,223	2,584	-	-	3,807	3,807
<u>\$ 2,677,977</u>	<u>\$ 1,297,921</u>	<u>\$ 61,590</u>	<u>\$ 2,549,622</u>	<u>\$ 6,587,110</u>	<u>\$ 9,075,883</u>
\$ 58,676	\$ 814	\$ -	\$ 10,211	\$ 69,701	\$ 69,701
-	-	-	-	-	400,000
1,300,000	-	-	-	1,300,000	1,300,000
<u>1,358,676</u>	<u>814</u>	<u>-</u>	<u>10,211</u>	<u>1,369,701</u>	<u>1,769,701</u>
-	-	-	-	-	1,025,952
-	-	-	-	-	725,077
867,891	1,007	8,038	2,395,768	3,272,704	3,272,704
-	-	-	-	-	337,744
451,410	1,296,100	53,552	143,643	1,944,705	1,944,705
<u>1,319,301</u>	<u>1,297,107</u>	<u>61,590</u>	<u>2,539,411</u>	<u>5,217,409</u>	<u>7,306,182</u>
<u>\$ 2,677,977</u>	<u>\$ 1,297,921</u>	<u>\$ 61,590</u>	<u>\$ 2,549,622</u>	<u>\$ 6,587,110</u>	<u>\$ 9,075,883</u>

Park City Municipal Corporation, Utah
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Debt Service Funds		
	Main Street Redevelop- ment Agency	Lower Park Ave. Redevelopment Agency	Total
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Investment income (loss)	908	28,807	29,715
Rental and other miscellaneous	-	-	-
Total revenues	<u>908</u>	<u>28,807</u>	<u>29,715</u>
Expenditures			
Capital outlay	-	-	-
Debt service			
Principal retirement	860,000	400,000	1,260,000
Interest	43,967	236,885	280,852
Total expenditures	<u>903,967</u>	<u>636,885</u>	<u>1,540,852</u>
Excess (deficiency) of revenues over expenditures	<u>(903,059)</u>	<u>(608,078)</u>	<u>(1,511,137)</u>
Other financing sources (uses)			
Proceeds from sale of assets	-	-	-
Transfers in	690,000	890,000	1,580,000
Transfers out	-	-	-
Total other financing sources (uses)	<u>690,000</u>	<u>890,000</u>	<u>1,580,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(213,059)</u>	<u>281,922</u>	<u>68,863</u>
Fund balances - beginning	<u>573,997</u>	<u>1,445,913</u>	<u>2,019,910</u>
Fund balances - ending	<u>\$ 360,938</u>	<u>\$ 1,727,835</u>	<u>\$ 2,088,773</u>

The notes to the financial statements are an integral part of this statement.

Capital Projects Funds

Main Street Redevelop- ment Agency	Municipal Building Authority	Housing Authority	Equipment Replacement CIP	Total	Total Nonmajor Governmental
\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000
40,617	46,574	1,228	(81)	88,338	118,053
-	37,922	-	-	37,922	37,922
<u>1,340,617</u>	<u>84,496</u>	<u>1,228</u>	<u>(81)</u>	<u>1,426,260</u>	<u>1,455,975</u>
520,812	166,066	-	651,603	1,338,481	1,338,481
-	-	-	-	-	1,260,000
-	-	-	-	-	280,852
<u>520,812</u>	<u>166,066</u>	<u>-</u>	<u>651,603</u>	<u>1,338,481</u>	<u>2,879,333</u>
<u>819,805</u>	<u>(81,570)</u>	<u>1,228</u>	<u>(651,684)</u>	<u>87,779</u>	<u>(1,423,358)</u>
-	313,100	-	16,065	329,165	329,165
-	-	-	700,000	700,000	2,280,000
<u>(720,000)</u>	<u>(472,331)</u>	<u>-</u>	<u>-</u>	<u>(1,192,331)</u>	<u>(1,192,331)</u>
<u>(720,000)</u>	<u>(159,231)</u>	<u>-</u>	<u>716,065</u>	<u>(163,166)</u>	<u>1,416,834</u>
99,805	(240,801)	1,228	64,381	(75,387)	(6,524)
1,219,496	1,537,908	60,362	2,475,030	5,292,796	7,312,706
<u>\$ 1,319,301</u>	<u>\$ 1,297,107</u>	<u>\$ 61,590</u>	<u>\$ 2,539,411</u>	<u>\$ 5,217,409</u>	<u>\$ 7,306,182</u>

Park City Municipal Corporation, Utah
Municipal Building Authority Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment income	\$ -	\$ 91,485	\$ 100,307	\$ 8,822
Rental income	1,097,051	822,789	822,789	-
Total revenues	<u>1,097,051</u>	<u>914,274</u>	<u>923,096</u>	<u>8,822</u>
Expenditures:				
Debt service				
Principal retirement	1,490,000	4,054,102	4,054,102	-
Interest	421,000	605,986	564,813	41,173
Total expenditures	<u>1,911,000</u>	<u>4,660,088</u>	<u>4,618,915</u>	<u>41,173</u>
Excess (deficiency) of revenues over expenditures	<u>(813,949)</u>	<u>(3,745,814)</u>	<u>(3,695,819)</u>	<u>49,995</u>
Other financing sources (uses)				
Payment to refunded bond escrow agent	-	(4,143,153)	(4,143,153)	-
Payment to refunded bond holders	-	(387,745)	(387,745)	-
Transfers in	773,234	6,074,658	6,074,658	-
Transfers out	-	(1,397,936)	(1,397,936)	-
Total other financing sources	<u>773,234</u>	<u>145,824</u>	<u>145,824</u>	<u>-</u>
Net change in fund balances	<u>(40,715)</u>	<u>(3,599,990)</u>	<u>(3,549,995)</u>	<u>49,995</u>
Fund balance - beginning	<u>3,440,028</u>	<u>3,632,717</u>	<u>3,631,989</u>	<u>(728)</u>
Fund balance - ending	<u>\$ 3,399,313</u>	<u>\$ 32,727</u>	<u>\$ 81,994</u>	<u>\$ 49,267</u>

Park City Municipal Corporation, Utah
Sales Tax Revenue and Refunding Bonds Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		
	<u>Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues - investment income	<u>\$ -</u>	<u>\$ 33,102</u>	<u>\$ 33,102</u>
Expenditures - bond issuance costs	<u>129,000</u>	<u>113,480</u>	<u>(15,520)</u>
Excess (deficiency) of revenues over expenditures	<u>(129,000)</u>	<u>(80,378)</u>	<u>48,622</u>
Other financing sources (uses)			
Debt issuance	15,500,000	15,500,000	-
Refunding bonds issued	4,500,000	4,500,000	-
Premium on debt issuance	57,457	57,457	-
Transfers in	2,078,592	2,078,592	-
Transfers out	<u>(5,982,080)</u>	<u>(5,982,080)</u>	<u>-</u>
Total other financing sources	<u>16,153,969</u>	<u>16,153,969</u>	<u>-</u>
Net change in fund balances	16,024,969	16,073,591	48,622
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 16,024,969</u></u>	<u><u>\$ 16,073,591</u></u>	<u><u>\$ 48,622</u></u>

Park City Municipal Corporation, Utah
General Obligation Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes				
General property tax	\$ 1,699,909	\$ 1,699,909	\$ 1,699,909	\$ -
Delinquent prior years' taxes	12,000	12,000	12,000	-
Investment income	-	155,000	159,370	4,370
Total revenues	<u>1,711,909</u>	<u>1,866,909</u>	<u>1,871,279</u>	<u>4,370</u>
Expenditures:				
Debt service				
Principal retirement	840,000	1,385,000	1,385,000	-
Interest	553,000	822,500	805,056	17,444
Bond issuance costs	-	150,725	150,715	10
Total expenditures	<u>1,393,000</u>	<u>2,358,225</u>	<u>2,340,771</u>	<u>17,454</u>
Excess (deficiency) of revenues over expenditures	<u>318,909</u>	<u>(491,316)</u>	<u>(469,492)</u>	<u>21,824</u>
Other financing sources (uses)				
Debt issuance	-	9,000,000	9,000,000	-
Premium on debt issuance	-	116,518	116,518	-
Transfers out	-	(8,372,883)	(8,372,883)	-
Total other financing sources	<u>-</u>	<u>743,635</u>	<u>743,635</u>	<u>-</u>
Net change in fund balances	<u>318,909</u>	<u>252,319</u>	<u>274,143</u>	<u>21,824</u>
Fund balance - beginning	<u>174,793</u>	<u>216,736</u>	<u>177,742</u>	<u>(38,994)</u>
Fund balance - ending	<u>\$ 493,702</u>	<u>\$ 469,055</u>	<u>\$ 451,885</u>	<u>\$ (17,170)</u>

Park City Municipal Corporation, Utah
Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Intergovernmental	\$ 350,000	\$ 383,854	\$ 604,687	\$ 220,833
Investment income	-	-	518,497	518,497
Impact fees	1,007,456	900,000	1,010,779	110,779
Miscellaneous	9,277,900	418,650	370,523	(48,127)
Total revenues	<u>10,635,356</u>	<u>1,702,504</u>	<u>2,504,486</u>	<u>801,982</u>
Expenditures:				
Capital outlay				
Land and building acquisition	4,277,900	5,345,212	1,739,101	3,606,111
Street and storm drain improvements	400,000	2,831,527	1,518,058	1,313,469
Building renovation and construction	5,335,000	9,258,064	2,127,723	7,130,341
Improvements other than building	1,522,057	12,560,204	2,085,184	10,475,020
City parks and cemetery improvements	335,000	2,277,187	169,300	2,107,887
Equipment	-	125,490	15,872	109,618
Total expenditures	<u>11,869,957</u>	<u>32,397,684</u>	<u>7,655,238</u>	<u>24,742,446</u>
Excess (deficiency) of revenues over expenditures	<u>(1,234,601)</u>	<u>(30,695,180)</u>	<u>(5,150,752)</u>	<u>25,544,428</u>
Other financing sources				
Capital contributions	-	2,000,000	2,000,000	-
Proceeds from sale of assets	875,000	156,819	156,894	75
Transfers in	9,487	14,904,701	14,904,701	-
Total other financing sources	<u>884,487</u>	<u>17,061,520</u>	<u>17,061,595</u>	<u>75</u>
Net change in fund balances	<u>(350,114)</u>	<u>(13,633,660)</u>	<u>11,910,843</u>	<u>25,544,503</u>
Fund balance - beginning	<u>7,273,055</u>	<u>24,621,925</u>	<u>24,584,722</u>	<u>(37,203)</u>
Fund balance - ending	<u>\$ 6,922,941</u>	<u>\$ 10,988,265</u>	<u>\$ 36,495,565</u>	<u>\$ 25,507,300</u>

Park City Municipal Corporation, Utah
Lower Park Avenue Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
General property tax	\$ 1,800,000	\$ 2,200,000	\$ 2,173,064	\$ (26,936)
Intergovernmental	-	-	13,544	13,544
Investment income	-	-	102,830	102,830
Rental and other miscellaneous	-	-	10,128	10,128
Total revenues	<u>1,800,000</u>	<u>2,200,000</u>	<u>2,299,566</u>	<u>99,566</u>
Expenditures:				
Capital outlay				
Land and building acquisition	200,000	366,128	140,322	225,806
Street and storm drain improvements	-	66,361	1,105	65,256
Building renovation and construction	-	161	-	161
Improvements other than building	895,000	2,268,762	685,675	1,583,087
Total expenditures	<u>1,095,000</u>	<u>2,701,412</u>	<u>827,102</u>	<u>1,874,310</u>
Excess (deficiency) of revenues over expenditures	<u>705,000</u>	<u>(501,412)</u>	<u>1,472,464</u>	<u>1,973,876</u>
Other financing (uses) - transfers out	<u>(670,000)</u>	<u>(920,000)</u>	<u>(920,000)</u>	<u>-</u>
Net change in fund balances	<u>35,000</u>	<u>(1,421,412)</u>	<u>552,464</u>	<u>1,973,876</u>
Fund balance - beginning	<u>2,429,078</u>	<u>4,109,339</u>	<u>4,102,647</u>	<u>(6,692)</u>
Fund balance - ending	<u>\$ 2,464,078</u>	<u>\$ 2,687,927</u>	<u>\$ 4,655,111</u>	<u>\$ 1,967,184</u>

Park City Municipal Corporation, Utah
Main Street Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 908</u>	<u>\$ 908</u>
Expenditures:				
Debt service				
Principal retirement	860,000	860,000	860,000	-
Interest	53,000	53,000	43,967	9,033
Total expenditures	<u>913,000</u>	<u>913,000</u>	<u>903,967</u>	<u>9,033</u>
Excess (deficiency) of revenues over expenditures	<u>(913,000)</u>	<u>(913,000)</u>	<u>(903,059)</u>	<u>9,941</u>
Other financing sources - transfers in	<u>710,000</u>	<u>690,000</u>	<u>690,000</u>	<u>-</u>
Net change in fund balances	<u>(203,000)</u>	<u>(223,000)</u>	<u>(213,059)</u>	<u>9,941</u>
Fund balance - beginning	<u>457,130</u>	<u>573,996</u>	<u>573,997</u>	<u>1</u>
Fund balance - ending	<u><u>\$ 254,130</u></u>	<u><u>\$ 350,996</u></u>	<u><u>\$ 360,938</u></u>	<u><u>\$ 9,942</u></u>

Park City Municipal Corporation, Utah
Lower Park Avenue Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	\$ -	\$ -	\$ 28,807	\$ 28,807
Expenditures:				
Debt service				
Principal retirement	400,000	400,000	400,000	-
Interest	241,885	241,885	236,885	5,000
Total expenditures	641,885	641,885	636,885	5,000
Excess (deficiency) of revenues over expenditures	(641,885)	(641,885)	(608,078)	33,807
Other financing sources - transfers in	640,000	890,000	890,000	-
Net change in fund balances	(1,885)	248,115	281,922	33,807
Fund balance - beginning	1,432,515	1,445,914	1,445,913	(1)
Fund balance - ending	<u>\$ 1,430,630</u>	<u>\$ 1,694,029</u>	<u>\$ 1,727,835</u>	<u>\$ 33,806</u>

Park City Municipal Corporation, Utah
Main Street Redevelopment Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
General property tax	\$ 1,300,000	\$ 1,300,000	\$ 1,300,000	\$ -
Investment income	-	-	40,617	40,617
Rental and other miscellaneous	5,700,000	-	-	-
Total revenues	<u>7,000,000</u>	<u>1,300,000</u>	<u>1,340,617</u>	<u>40,617</u>
Expenditures:				
Capital outlay				
Street and storm drain improvements	-	35,460	35,459	1
Building renovation and construction	200,000	-	-	-
Improvements other than building	5,815,000	1,353,245	485,353	867,892
Total expenditures	<u>6,015,000</u>	<u>1,388,705</u>	<u>520,812</u>	<u>867,893</u>
Excess (deficiency) of revenues over expenditures	<u>985,000</u>	<u>(88,705)</u>	<u>819,805</u>	<u>908,510</u>
Other financing (uses) - transfers out	<u>(740,000)</u>	<u>(720,000)</u>	<u>(720,000)</u>	<u>-</u>
Net change in fund balances	245,000	(808,705)	99,805	908,510
Fund balance - beginning	303,526	1,221,552	1,219,496	(2,056)
Fund balance - ending	<u>\$ 548,526</u>	<u>\$ 412,847</u>	<u>\$ 1,319,301</u>	<u>\$ 906,454</u>

Park City Municipal Corporation, Utah
Municipal Building Authority Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 46,574	\$ 46,574
Rental and other miscellaneous	32,000	32,000	37,922	5,922
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>84,496</u>	<u>52,496</u>
Expenditures:				
Capital outlay				
Land and building acquisition	32,000	32,000	32,000	-
Building renovation and construction	-	7,305	6,298	1,007
Improvements other than building	-	122,192	122,192	-
City parks and cemetery improvements	-	5,576	5,576	-
Total expenditures	<u>32,000</u>	<u>167,073</u>	<u>166,066</u>	<u>1,007</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(135,073)</u>	<u>(81,570)</u>	<u>53,503</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	313,100	313,100	-
Transfers out	-	(472,331)	(472,331)	-
Total other financing uses	<u>-</u>	<u>(159,231)</u>	<u>(159,231)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(294,304)</u>	<u>(240,801)</u>	<u>53,503</u>
Fund balance - beginning	<u>224,462</u>	<u>1,539,660</u>	<u>1,537,908</u>	<u>(1,752)</u>
Fund balance - ending	<u>\$ 224,462</u>	<u>\$ 1,245,356</u>	<u>\$ 1,297,107</u>	<u>\$ 51,751</u>

Park City Municipal Corporation, Utah
Housing Authority Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues - investment income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,228</u>	<u>\$ 1,228</u>
Expenditures:				
Capital outlay				
Land and building acquisition	<u>-</u>	<u>8,038</u>	<u>-</u>	<u>8,038</u>
Total expenditures	<u>-</u>	<u>8,038</u>	<u>-</u>	<u>8,038</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(8,038)</u>	<u>1,228</u>	<u>9,266</u>
Net change in fund balances	<u>-</u>	<u>(8,038)</u>	<u>1,228</u>	<u>9,266</u>
Fund balance - beginning	<u>51,355</u>	<u>60,329</u>	<u>60,362</u>	<u>33</u>
Fund balance - ending	<u><u>\$ 51,355</u></u>	<u><u>\$ 52,291</u></u>	<u><u>\$ 61,590</u></u>	<u><u>\$ 9,299</u></u>

Park City Municipal Corporation, Utah
Equipment Replacement Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues - investment income	\$ -	\$ -	\$ (81)	\$ (81)
Expenditures:				
Capital outlay - equipment	300,000	3,047,371	651,603	2,395,768
Total expenditures	<u>300,000</u>	<u>3,047,371</u>	<u>651,603</u>	<u>2,395,768</u>
Excess (deficiency) of revenues over expenditures	<u>(300,000)</u>	<u>(3,047,371)</u>	<u>(651,684)</u>	<u>2,395,687</u>
Other financing sources				
Proceeds from sale of assets	-	-	16,065	16,065
Transfers in	300,000	700,000	700,000	-
Total other financing sources	<u>300,000</u>	<u>700,000</u>	<u>716,065</u>	<u>16,065</u>
Net change in fund balances	-	(2,347,371)	64,381	2,411,752
Fund balance - beginning	116,415	2,478,637	2,475,030	(3,607)
Fund balance - ending	<u>\$ 116,415</u>	<u>\$ 131,266</u>	<u>\$ 2,539,411</u>	<u>\$ 2,408,145</u>

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing and operations of services provided to various City departments and other governments, on a cost-reimbursement basis. Included are:

Fleet Services Fund: Fleet Services Fund accounts for the cost of storage, repair, and maintenance of City-owned vehicles.

Self-Insurance Fund: Self-Insurance Fund accounts for the establishment of a self-insurance program.

Park City Municipal Corporation, Utah
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

	<u>Fleet Services Fund</u>	<u>Self- Insurance Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents held by city	\$ 181,945	\$ 3,159,884	\$ 3,341,829
Accounts receivable	13,710	-	13,710
Inventories	198,884	-	198,884
Total current assets	<u>394,539</u>	<u>3,159,884</u>	<u>3,554,423</u>
Capital assets			
Vehicles and equipment	148,683	-	148,683
Accumulated depreciation	<u>(148,609)</u>	<u>-</u>	<u>(148,609)</u>
Net capital assets	<u>74</u>	<u>-</u>	<u>74</u>
Total assets	<u>394,613</u>	<u>3,159,884</u>	<u>3,554,497</u>
LIABILITIES			
Current liability-accounts payable	38,472	2,234	40,706
Noncurrent liability-compensated absences	<u>22,206</u>	<u>-</u>	<u>22,206</u>
Total liabilities	<u>60,678</u>	<u>2,234</u>	<u>62,912</u>
NET ASSETS			
Invested in capital assets	74	-	74
Unrestricted	<u>333,861</u>	<u>3,157,650</u>	<u>3,491,511</u>
Total net assets	<u>\$ 333,935</u>	<u>\$ 3,157,650</u>	<u>\$ 3,491,585</u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2005

	Fleet Services Fund	Self- Insurance Fund	Total
Operating revenues			
Charges for services	\$ 1,354,000	\$ 521,318	\$ 1,875,318
Total operating revenues	<u>1,354,000</u>	<u>521,318</u>	<u>1,875,318</u>
Operating expenses			
Salaries and benefits	474,008	-	474,008
Supplies, maintenance and services	368,427	440,700	809,127
Energy and utilities	499,879	-	499,879
Depreciation and amortization	910	-	910
Total operating expenses	<u>1,343,224</u>	<u>440,700</u>	<u>1,783,924</u>
Operating income	<u>10,776</u>	<u>80,618</u>	<u>91,394</u>
Change in net assets	10,776	80,618	91,394
Net assets - beginning	323,159	3,077,032	3,400,191
Net assets - ending	<u>\$ 333,935</u>	<u>\$ 3,157,650</u>	<u>\$ 3,491,585</u>

The notes to the financial statements are an integral part of this statement.

Park City Municipal Corporation, Utah
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	Fleet Services Fund	Self- Insurance Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 1,360,479	\$ 521,318	\$ 1,881,797
Payments to suppliers	(871,500)	(440,658)	(1,312,158)
Payments to employees	(475,277)	-	(475,277)
Net cash provided by operating activities	<u>13,702</u>	<u>80,660</u>	<u>94,362</u>
 Net increase in cash and cash equivalents	 13,702	 80,660	 94,362
 Balances—beginning of the year	 <u>168,243</u>	 <u>3,079,224</u>	 <u>3,247,467</u>
 Balances—end of the year	 <u><u>\$ 181,945</u></u>	 <u><u>\$ 3,159,884</u></u>	 <u><u>\$ 3,341,829</u></u>
 Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 10,776	\$ 80,618	\$ 91,394
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	910	-	910
Change in assets and liabilities:			
Receivables, net	6,479	-	6,479
Inventories	(15,476)	-	(15,476)
Accounts and other payables	12,282	42	12,324
Accrued expenses	(1,269)	-	(1,269)
 Net cash provided by operating activities	 <u><u>\$ 13,702</u></u>	 <u><u>\$ 80,660</u></u>	 <u><u>\$ 94,362</u></u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND

The Park City Agency Fund is used to hold deposits and performance bonds.

Park City Municipal Corporation, Utah
Statement of Changes in Assets and Liability
For the Year Ended June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Park City Agency				
Assets				
Cash, cash equivalents and investments held by city	\$ <u>1,173,900</u>	\$ <u>941,626</u>	\$ <u>(240,069)</u>	\$ <u>1,875,457</u>
Liability				
Deposits	\$ <u>1,173,900</u>	\$ <u>941,626</u>	\$ <u>(240,069)</u>	\$ <u>1,875,457</u>

The notes to the financial statements are an integral part of this statement.

PROJECT SCHEDULE

PARK CITY MUNICIPAL CORPORATION, UTAH
CAPITAL PROJECTS FUNDS
SCHEDULE OF PROJECT BUDGET-TO-DATE
June 30, 2005

	Project Budget	Expenditures			Remaining Project Budget
		Prior Year(s)	Current Year	Total	
Land and building acquisition					
Open space	\$ 32,424,127	\$ 27,986,988	\$ 1,385,169	\$ 29,372,157	\$ 3,051,970
Affordable housing	5,424,494	4,110,255	526,254	4,636,509	787,985
	<u>37,848,621</u>	<u>32,097,243</u>	<u>1,911,423</u>	<u>34,008,666</u>	<u>3,839,955</u>
Street and storm drain improvements					
Woodside	2,154,361	2,154,361	-	2,154,361	-
Upper Park Avenue	1,392,387	196,466	1,175,920	1,372,386	20,001
Pavement management implementation	8,972,561	7,999,686	348,180	8,347,866	624,695
Hillside Avenue	703,932	103,932	-	103,932	600,000
Other	442,832	278,279	30,522	308,801	134,031
	<u>13,666,073</u>	<u>10,732,724</u>	<u>1,554,622</u>	<u>12,287,346</u>	<u>1,378,727</u>
Building renovation and construction					
Carl Winter's improvements	3,713,813	3,635,460	77,304	3,712,764	1,049
Marsac building improvements	4,410,735	1,570,834	6,348	1,577,182	2,833,553
ADA implementation	197,698	172,622	-	172,622	25,076
Other projects	7,754,445	1,432,243	2,050,369	3,482,612	4,271,833
	<u>16,076,691</u>	<u>6,811,159</u>	<u>2,134,021</u>	<u>8,945,180</u>	<u>7,131,511</u>
Improvements other than building					
Old town stairs	1,722,696	1,513,837	-	1,513,837	208,859
Entry way improvements	2,373,486	1,564,194	168,279	1,732,473	641,013
Parking projects	1,908,783	1,126,392	737,645	1,864,037	44,746
Trails master plan implementation	2,228,912	1,657,436	78,744	1,736,180	492,732
Downtown revitalization	2,344,917	1,421,622	622,844	2,044,466	300,451
Street/path lighting	112,215	112,215	-	112,215	-
Other projects	24,446,431	12,282,311	1,730,314	14,012,625	10,433,806
Historical preservation	2,982,380	2,137,413	40,578	2,177,991	804,389
	<u>38,119,820</u>	<u>21,815,420</u>	<u>3,378,404</u>	<u>25,193,824</u>	<u>12,925,996</u>
City parks and cemetery improvements					
Main city park improvements	3,893,522	1,610,759	174,876	1,785,635	2,107,887
	<u>3,893,522</u>	<u>1,610,759</u>	<u>174,876</u>	<u>1,785,635</u>	<u>2,107,887</u>
Equipment					
Public works equipment	148,963	142,276	6,687	148,963	-
Information system	2,027,126	1,346,683	168,538	1,515,221	511,905
Other equipment	3,067,091	581,359	492,250	1,073,609	1,993,482
	<u>5,243,180</u>	<u>2,070,318</u>	<u>667,475</u>	<u>2,737,793</u>	<u>2,505,387</u>
Total	\$ 114,847,907	\$ 75,137,623	\$ 9,820,821	\$ 84,958,444	\$ 29,889,463

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City's overall financial health.

Contents	Page
Financial Trends	97
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	101
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax, in addition to other types of tax revenues.</i>	
Debt Capacity	108
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	114
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	116
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1

Park City Municipal Corporation, Utah

Net Assets by Component

Last Two Fiscal Years

(accrual basis of accounting)

	Fiscal year	
	2004	2005
Governmental activities		
Invested in capital assets, net of related debt	\$ 76,844,603	\$ 81,377,025
Restricted	4,758,014	24,563,680
Unrestricted	41,563,061	27,672,420
Total governmental activities net assets	\$ 123,165,678	\$ 133,613,125
Business-type activities		
Invested in capital assets, net of related debt	\$ 30,621,505	\$ 34,255,631
Restricted	4,890,128	3,764,831
Unrestricted	5,071,623	6,280,644
Total business-type activities net assets	\$ 40,583,256	\$ 44,301,106
Primary government		
Invested in capital assets, net of related debt	\$ 107,466,108	\$ 115,632,656
Restricted	9,648,142	28,328,511
Unrestricted	46,634,684	33,953,064
Total primary government net assets	\$ 163,748,934	\$ 177,914,231

Schedule 2
Park City Municipal Corporation, Utah
Changes in Net Assets
Last Two Fiscal Years
(accrual basis of accounting)

	Fiscal year	
	2004	2005
Expenses		
Governmental activities:		
General government	\$ 7,846,791	\$ 6,493,178
Public safety	3,105,264	3,296,810
Public works	7,466,892	7,679,736
Library and recreation	2,668,135	2,333,871
Interest on long-term debt	1,416,853	1,875,384
Total governmental activities expenses	22,503,935	21,678,979
Business-type activities:		
Water	5,635,628	5,586,033
Transportation and parking	4,485,535	5,057,840
Golf course	1,345,877	1,218,127
Total business-type activities expenses	11,467,040	11,862,000
Total primary government expenses	\$ 33,970,975	\$ 33,540,979
Program Revenues		
Governmental activities:		
Charges for services		
General government	\$ 1,808,891	\$ 3,272,967
Public safety	8,670	4,920
Public works	16,670	20,000
Library and recreation	883,021	946,460
Operating grants and contributions	157,519	53,418
Capital grants and contributions	4,487,886	3,365,287
Total governmental activities program revenues	7,362,657	7,663,052
Business-type activities:		
Charges for services		
Water	4,443,168	3,972,634
Transportation and parking	1,705,022	2,250,236
Golf course	958,295	857,200
Operating grants and contributions	188,377	339,700
Capital grants and contributions	391,320	4,746,137
Total business-type activities program revenues	7,686,182	12,165,907
Total primary government program revenues	\$ 15,048,839	\$ 19,828,959
Net (expense)/revenue		
Governmental activities	\$ (15,141,278)	\$ (14,015,927)
Business-type activities	(3,780,858)	303,907
Total primary government net expense	\$ (18,922,136)	\$ (13,712,020)
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property tax, levied for general purposes	\$ 9,584,191	\$ 10,771,072
Property tax, levied for debt service	1,711,909	1,711,909
General sales and use tax	3,400,877	3,892,401
Franchise tax	1,854,981	2,309,090
Resort tax	3,158,783	3,954,810
Investment earnings	758,492	1,481,694
Miscellaneous	496,246	342,398
Transfers	2,189,364	-
Total governmental activities	23,154,843	24,463,374
Business-type activities:		
General sales and use tax	2,219,524	2,655,488
Investments earnings	148,436	275,885
Miscellaneous	433,609	482,570
Transfers	(2,189,364)	-
Total business-type activities	612,205	3,413,943
Total primary government	\$ 23,767,048	\$ 27,877,317
Change in Net Assets		
Governmental activities	\$ 8,013,565	\$ 10,447,447
Business-type activities	(3,168,653)	3,717,850
Total primary government	\$ 4,844,912	\$ 14,165,297

Schedule 3

Park City Municipal Corporation, Utah

Fund Balances of Governmental Funds

Last Two Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year	
	2004	2005
General fund		
Total general fund - unreserved, undesignated	\$ <u>2,992,064</u>	\$ <u>3,216,779</u>
All other governmental funds		
Reserved		
Major capital projects funds-capital projects	\$ -	\$ 6,356,191 (1)
Major debt service funds-capital projects	-	16,443,301 (1)
Major debt service	-	13,159
Nonmajor debt service funds-capital projects	2,630,600	1,025,952
Nonmajor debt service funds-debt service	2,127,414	725,077
Unreserved, designated		
Major capital projects funds	18,904,054	26,616,759
Nonmajor capital projects funds	4,497,301	3,272,704
Major debt service funds	177,742	451,885
Nonmajor debt service funds	1,141,311	337,744
Unreserved, undesignated		
Major capital projects funds	9,783,315	8,177,726
Major debt service funds	-	(300,875)
Nonmajor capital projects funds	795,495	1,944,705
Nonmajor debt service funds	<u>(247,426)</u>	<u>-</u>
Total all other governmental funds	\$ <u>39,809,806</u>	\$ <u>65,064,328</u>

(1) The increase in reserved fund balance in this period was due to unspent bond proceeds from an issuance during the period for capital projects.

Schedule 4
Park City Municipal Corporation, Utah
Changes in Fund Balances of Governmental Funds
Last Two Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year	
	<u>2004</u>	<u>2005</u>
Revenues		
Taxes and special assessments	\$ 19,688,976	\$ 22,584,930
Licenses and permits	1,144,028	2,154,641
Intergovernmental	838,767	662,954
Charges for services	959,759	1,053,161
Fines and forfeitures	26,947	25,766
Investment income	758,492	1,481,694
Impact fees	586,518	1,010,779
Rental and other miscellaneous	1,709,620	1,680,982
Total revenues	<u>25,713,107</u>	<u>30,654,907</u>
Expenditures		
General government	7,052,526	6,975,713
Public safety	3,008,490	3,219,448
Public works	3,410,777	3,746,378
Library and recreation	2,122,774	2,067,106
Debt Service		
Principal retirement	4,437,570	6,867,602
Interest	1,423,844	1,650,721
Bond issuance	-	264,195
Capital outlay	10,105,470	9,652,321
Total expenditures	<u>31,561,451</u>	<u>34,443,484</u>
Revenues (under) expenditures	(5,848,344)	(3,788,577)
Other financing sources (uses)		
Debt issuance	5,024,109	24,500,000
Refunding bonds issued	-	4,500,000
Premium on debt issuance	-	173,975
Payment to refunded bond escrow agent	-	(4,143,153)
Payment to refunded bond holders	-	(387,745)
Capital contributions	-	2,000,000
Proceeds from sale of assets	11,093	486,059
Transfers in	11,827,304	26,788,395
Transfers out	(9,440,487)	(24,649,717)
Total other financing sources	<u>7,422,019</u>	<u>29,267,814</u>
Net change in fund balances	<u>\$ 1,573,675</u>	<u>\$ 25,479,237</u>
Debt Service as a percentage of noncapital expenditures	27%	35%

Schedule 5**Park City Municipal Corporation, Utah****General Government Tax Revenues by Source(1)****Last Ten Fiscal Years****(modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales and Use Tax</u>	<u>Franchise Tax</u>	<u>Resort Tax</u>	<u>Total</u>
1996	\$ 4,074,947	\$ 2,536,434	\$ 953,758	\$ 2,207,158	\$ 9,772,297
1997	4,440,943	2,703,699	1,067,748	2,435,182	10,647,572
1998	4,652,188	2,800,917	1,184,569	2,587,656	11,225,330
1999	4,803,713	2,930,353	1,175,506	2,552,606	11,462,178
2000	5,666,842	3,010,970	1,195,335	2,644,765	12,517,912
2001	6,729,259	3,178,411	1,480,821	3,036,380	14,424,871
2002	7,303,205	3,707,373	1,641,647	3,136,399	15,788,624
2003	7,045,425	3,213,567	1,702,577	3,039,168	15,000,737
2004	7,865,133	3,400,877	1,854,981	3,158,783	16,279,774
2005	8,955,565	3,892,401	2,309,090	3,954,810	19,111,866

(1) Includes general fund and debt service fund.

Schedule 6
Park City Municipal Corporation, Utah
Assessed Value and Actual Value of Taxable Property
Last Five Fiscal Years
(in thousands of dollars)

Fiscal Year	Residential Property	Commercial Property	Miscellaneous Property	Total Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
2001	\$ 2,718,623	\$ 290,391	\$ 42,624	\$ 3,051,638	\$ 2,938,871	0.001216 %
2002	3,003,739	314,503	54,165	3,372,407	3,197,541	0.002204 %
2003	3,154,215	308,415	53,764	3,516,394	3,248,321	0.002166 %
2004	3,182,705	314,184	51,877	3,548,766	3,366,694	0.002267 %
2005	3,288,957	318,780	51,642	3,659,379	3,472,236	0.002537 %

Source: Summit County Assessor's Office

Schedule 7**Park City Municipal Corporation, Utah****Taxable Sales by Category****Last Two Fiscal Years****(in thousands of dollars)**

	Fiscal Year	
	<u>2004</u>	<u>2005</u>
Apparel stores	\$ 11,363	\$ 14,213
Food stores	41,627	44,444
Eating and drinking establishments	52,551	58,713
Home furnishings and appliances	8,183	9,143
Building materials and farm tools	16,145	21,943
Miscellaneous retail stores	50,969	58,732
All other outlets	<u>684</u>	<u>1,916</u>
Total	\$ <u>181,522</u>	\$ <u>209,104</u>
City direct sales tax rate	2.25 %	2.25 %

Source: Utah State Tax Commission website: Utah Direct Sales 2000-2004, for 55 major cities
<http://tax.utah.gov/esu/sales/city5.htm>

Schedule 8
 Park City Municipal Corporation, Utah
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

Fiscal Year	City Direct Rates			Overlapping Rates					Total Levy for Park City Residents	
	Basic Rate	General Obligation		Summit County Levy	State Assessment/ Collecting	Weber Basin Water	Park City Fire	Park City School		
		Debt Service	Total Direct							
Tax Rate (per \$1 of taxable value)										
1996	0.002549	0.000126		0.002675	0.001970	0.000459	0.000165	0.000854	0.006640	0.012763
1997	0.002305	0.000114		0.002419	0.001850	0.000433	0.000154	0.000678	0.005908	0.011442
1998	0.002180	0.000101		0.002281	0.001630	0.000379	0.000145	0.000811	0.006564	0.011810
1999	0.001731	0.000074		0.001805	0.001169	0.000355	0.000137	0.000898	0.005555	0.009919
2000	0.001889	0.000225		0.002114	0.001249	0.000360	0.000139	0.000907	0.006056	0.010825
2001	0.001876	0.000410		0.002286	0.001216	0.000348	0.000200	0.000901	0.005802	0.010753
2002	0.001834	0.000370		0.002204	0.001190	0.000339	0.000193	0.000898	0.005555	0.010379
2003	0.001847	0.000319		0.002166	0.001165	0.000323	0.000193	0.000858	0.003902	0.008607
2004	0.001855	0.000412		0.002267	0.001186	0.000337	0.000198	0.000885	0.003847	0.008720
2005	0.001875	0.000662		0.002537	0.001220	0.000321	0.000198	0.001180	0.004083	0.009539

Source: Summit County property tax notices.

Schedule 9

Park City Municipal Corporation, Utah

Direct and Overlapping Sales Tax Rate

Last Two Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Summit County</u>	<u>State of Utah</u>	<u>Total</u>
2004	2.25 %	0.35 %	4.75 %	7.35 %
2005	2.25	0.35	4.75	7.35

Source: Utah State Tax Commission

Schedule 10
Park City Municipal Corporation, Utah
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2005			1996		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Marriott Ownership Resorts	\$ 114,504,078	1	3.30 %	\$ 14,048,835	3	0.80 %
Deer Valley Resort	26,453,830	2	0.76	23,700,514	1	1.40
HPC Development	24,438,185	3	0.70	-	-	-
Qwest	13,902,472	4	0.40	-	-	-
POWDR Development	13,445,441	5	0.39	-	-	-
United Park City Mines	10,851,646	6	0.31	-	-	-
George Stefanis	10,769,676	7	0.31	-	-	-
Silver Lake Associates	10,717,706	8	0.31	-	-	-
Spring Canyon Associates	9,673,980	9	0.28	-	-	-
Wintzer Wolfe Properties	8,315,493	10	0.24	7,722,888	7	0.40
Kahler & Associates	8,220,013	11	0.24	-	-	0.00
PacifiCorp	8,065,707	12	0.23	8,576,260	5	0.50
Yarrow Hotel	7,970,000	13	0.23	5,929,176	9	0.30
Prospector Plaza	7,876,813	14	0.23	-	-	-
Brentwood Equities	7,473,457	15	0.22	-	-	-
Park Meadows Club Inc	6,219,961	16	0.18	-	-	-
Park Regency	5,791,000	17	0.17	5,648,500	10	0.30
Park City Mountain Resort	-	-	-	18,399,725	2	1.10
U.S. West	-	-	-	11,332,970	4	0.70
Karen Huntsman	-	-	-	8,433,513	6	0.50
Delta Airlines	-	-	-	7,651,280	8	0.40
Totals	\$ 294,689,458		4.4 %	\$ 111,443,661		4.2 %

Source: Summit County Treasurer and Park City Finance Department

Schedule 11
Park City Municipal Corporation, Utah
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$ 3,843,554	\$ 3,827,459	99.58 %	\$ 247,488	\$ 4,074,947	106.02 %
1997	3,914,279	4,214,394	107.67	226,549	4,440,943	113.45
1998	4,200,118	4,407,877	104.95	244,311	4,652,188	110.76
1999	4,531,453	4,532,449	100.02	271,264	4,803,713	106.01
2000	5,041,731	5,413,157	107.37	253,685	5,666,842	112.40
2001	6,031,299	6,447,289	106.90	281,970	6,729,259	111.57
2002	6,366,937	6,796,305	106.74	506,900	7,303,205	114.71
2003	6,620,186	6,575,217	99.32	470,208	7,045,425	106.42
2004	6,997,424	7,393,110	105.65	472,023	7,865,133	112.40
2005	8,051,199	8,562,600	106.35	392,965	8,955,565	111.23

The "Total Tax Levy" is the dollar amount certified by the City as needed to balance the budget. The tax rate adopted by the City to generate the "Total Tax Levy" is adjusted, in accordance with State law, to compensate for potential appeals and estimated collection rate. Subsequently, in years where actual appeals are less than the given adjustment and/or the actual collection rate is higher than projected, the City can receive in "Current Tax Collections" an amount greater than the "Total Tax Levy" required to balance the budget.

Schedule 12
Park City Municipal Corporation, Utah
Ratios of Outstanding Debt by Type
Last Two Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Redevelopment Bonds	Sales Tax Incremental Bonds	Municipal Building Authority	Contracts Payable	Water Bonds	Capital Leases				
2004	\$ 12,300,000	\$ 6,880,000	\$ -	\$ 8,585,000	\$ 900,043	\$ 7,917,000	\$ 121,676	\$ 36,703,719	2.46%	\$ 4,908	
2005	19,915,000	5,620,000	20,000,000	-	731,543	7,428,000	90,922	53,785,465	3.42%	6,824	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(1) See Schedule 18 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Schedule 13

Park City Municipal Corporation, Utah

Ratios of General Bonded Debt Outstanding

Last Two Fiscal Years

Fiscal Year	General Bonded Debt			Percentage of Actual Property Value (1)	Per Capita (2)
	General Obligation Bonds	Less: Amount Available in Debt Service Fund (3)	Total		
2004	\$ 12,300,000	\$ -	\$ 12,300,000	0.37%	\$ 1,645
2005	19,915,000	-	19,915,000	0.57%	2,527

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 6 for property value data.

(2) Population and personal income data can be found in Schedule 18.

(3) There are no resources for the repayment of the principal that are externally restricted.

Schedule 14
Park City Municipal Corporation, Utah
Direct and Overlapping Governmental Activities Debt
As of June 30, 2005

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Park City (2)</u>	<u>Amount Applicable to Park City</u>
Debt repaid with property taxes			
State of Utah	\$ 1,587,804,000	3.34%	\$ 53,032,654
Summit County	23,425,000	48.00%	11,244,000
Park City School District	48,615,000	54.09%	26,295,854
Snyderville Basin Water Reclamation District	5,887,371	45.00%	2,649,317
Weber Basin Water Conservancy District	35,212,377	15.44%	5,436,791
Subtotal, overlapping debt			<u>98,658,616</u>
City direct debt (1)	19,915,000	100.00	19,915,000
Total direct and overlapping general obligation debt			<u>\$ 118,573,616</u>

Source: Utah State Auditors Office

(1) Includes only long-term general obligation debt being repaid through general property taxes.

(2) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another government unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Park City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Schedule 15
Park City Municipal Corporation, Utah
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt limit	\$ 69,284,889	\$ 81,827,925	\$ 113,710,021	\$ 113,710,021	\$ 107,208,237	\$ 117,554,834	\$ 127,901,648	\$ 129,932,855	\$ 134,667,752	\$ 138,889,430
Total net debt applicable to limit	1,088,865	931,375	764,070	584,863	3,462,229	3,087,428	8,299,920	7,604,811	12,300,000	19,915,000
Legal debt margin	\$ 68,196,024	\$ 80,896,550	\$ 112,945,951	\$ 113,125,158	\$ 103,746,008	\$ 114,467,406	\$ 119,601,728	\$ 122,328,044	\$ 122,367,752	\$ 118,974,430
Total net debt applicable to the limit as a percentage of debt limit	1.57%	1.14%	0.67%	0.51%	3.23%	2.63%	6.49%	5.85%	9.13%	14.34%

Legal Debt Margin Calculation for Fiscal Year 2005

Total assessed value	\$ 3,472,235,756
Debt limit - 4% of total assessed value	138,889,430
Amount of debt applicable to debt limits:	
General Obligation Bonds 1999, 2000, 2003 & 2004 Series	19,915,000
Less: Amount available for repayment of general obligation bonds	-
Total net debt applicable to limit	19,915,000
Legal debt margin	\$ 118,974,430

Note: Under Utah State Law, Park City's outstanding debt should not exceed 4 percent of total assessed property value.
The general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Schedule 16
Park City Municipal Corporation, Utah
Pledged-Revenue Coverage
Last Two Fiscal Years

Main Street Redevelopment Bonds

	<u>Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2004	\$ 1,300,000	\$ 830,000	\$ 68,689	\$ 1.4
2005	1,300,000	860,000	41,818	1.4

Lower Park Avenue Redevelopment Bonds

	<u>Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
2004	\$ 2,109,202	\$ 385,000	\$ 348,285	2.9
2005	2,173,064	400,000	234,885	3.4

Sales Tax Increment Bonds

	<u>Sales Tax Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
		<u>Principal(1)</u>	<u>Interest (1)</u>	
2004	\$ -	\$ -	-	-
2005	680,656	-	-	-

(1) Debt issued in fiscal year 2005. No principal and interest payments were scheduled in the period in which the debt was issued.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Schedule 17 for information on water revenue bond coverage.

Schedule 17
Park City Municipal Corporation, Utah
Water Fund Refunding Revenue Bonds
Schedule of Net Revenues to Aggregate Debt Service
As of June 30, 2005

		Coverage Ratio	
		<u>Actual</u>	<u>Minimum</u>
Net revenues (change in net assets less capital contributions)	\$ 202,045		
Add			
Excluded transfer to general fund	654,629		
Depreciation and amortization	1,089,914		
Bond interest expense	302,495		
Revenues pledged to debt	2,249,083	2.84	1.20
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002 Water Revenue and Refunding Bonds	\$ 489,000	\$ 302,495	\$ (791,495)
Less water impact fees			(1,664,747)
Net revenues less impact fees pledged to debt	\$ 584,336	0.74	1.00

Year	Net Revenue (Loss)	Gross Revenues (Less Impact Fees) Available for Debt Service	Total Debt Service	Coverage	Gross Revenue Available for Debt Service	Debt	Coverage
1996	1,050,721	1,305,840	277,675	4.70	2,204,580	277,675	7.94
1997	1,511,887	1,542,064	971,672	1.59	2,626,588	971,672	2.70
1998	718,665	1,248,435	977,460	1.28	1,812,535	977,460	1.85
1999	407,395	1,001,065	911,915	1.10	1,538,520	911,915	1.69
2000	(243,994)	889,195	915,246	0.97	889,195	915,246	0.97
2001	344,821	1,454,207	907,500	1.60	1,454,207	907,500	1.60
2002	(258,328)	560,899	907,957	0.62	935,661	907,957	1.03
2003	584,567	1,119,038	768,338	1.46	1,922,291	768,338	2.50
2004	(1,100,049)	202,963	791,514	0.26	1,179,717	791,514	1.49
2005	202,045	584,336	791,495	0.74	2,249,083	791,495	2.84

Schedule 18
Park City Municipal Corporation, Utah
Demographic and Economic Statistics
Last Two Fiscal Years

<u>Year</u>	<u>Population(2)</u>	<u>Personal Income (thousands of dollars)(1)(2)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age</u>	<u>School Enrollment(4)</u>	<u>Unemployment Rate (1)(3)</u>
2004	7,478	\$ 1,491,412	\$ 44,069	32.7	4,150	6.0%
2005	7,882	1,571,986	45,538	32.7	4,344	5.3%

(1) Applies to Summit County.

Sources:

- (2) Census Bureau
- (3) Bureau of Labor Statistics
- (4) Park City School District

Schedule 19**Park City Municipal Corporation, Utah****Principal Employers****Current Year**

Employer	2005			
	Yearly Maximum Employees	Yearly Minimum Employees	Rank	Percentage of Total City Employment(1)
Deer Valley Resort	1,829	185	1	12.26%
Park City Mountain Resort	950	70	2	6.37%
Park City Municipal Corporation	600	400	3	4.02%
Premier Resorts of Utah	600	300	4	4.02%
Stein Eriksen Lodge	499	250	5	3.35%
Jan's Mountain Outfitters	250	100	6	1.68%
Park City School District	249	100	7	1.67%
Albertson's	249	100	8	1.67%
Marriott Park City	129	129	9	0.87%
Park City Fire District	103	103	10	0.69%
Dan's Foods	100	85	11	0.67%
U.S Ski & Snowboard Association	100	100	12	0.67%
Park Meadows Country Club	90	40	13	0.60%
Total	5,748	1,962		38.54%

(1) Percentage based on the maximum number of employees in the range.

Schedule 20**Park City Municipal Corporation, Utah****Full-time Equivalent City Government Employees by Function****Current and Previous Year**

<u>Function</u>	Full-time Equivalent Employees	
	as of June 30	
	2004	2005
General government		
Executive	4.0	3.0
Finance	6.3	6.8
Human resources	5.6	5.6
Budget, debt and grants	3.3	3.3
Planning	8.0	7.5
Building	14.8	14.8
Engineering	3.0	3.0
Legal	7.1	7.1
Other	16.8	16.3
Public safety		
Police	33.9	32.9
Communication center	8.5	8.5
Other	0.6	0.6
Public works		
Transit	38.1	43.1
Fleet services	7.3	7.3
Street maintenance	16.0	16.0
Parks and cemetery	19.1	18.6
Administration	3.0	3.0
Other	12.2	12.2
Library and recreation		
Library	10.5	10.5
Golf	10.0	8.8
Recreation	25.6	25.9
Tennis	5.9	6.5
Water		
Water billing	1.0	1.0
Water operations	13.8	13.8
Reorganized departments		
Leisure services	6.3	-
Other	3.0	-
Total	283.5	275.9

Source: Park City Budget Department

Schedule 21

Park City Municipal Corporation, Utah

Population Statistics

Census:	Fiscal Year	Park City Population	Percent Change from Prior Period	Summit County Population	Percent Change from Prior Period
	1950	2,254	- %	6,745	- %
	1960	1,366	(39.40)	5,673	(15.89)
	1970	1,193	(12.66)	5,879	3.63
	1980	2,823	136.63	10,198	73.46
	1990	4,430	56.93	15,518	52.17
	2000	6,500	46.73	29,736	91.62
	2001	7,371	13.40	30,607	2.93
	2002	7,371	-	31,857	4.08
	2003	7,478	1.45	34,073	6.96
	2004	7,478	-	34,073	-
	2005	7,882	5.40	34,073	-

Age distribution of 2004 population:

Age	Number	Percent
Under 5 Years	340	4.55 %
5-17	990	13.24
18-20	582	7.78
21-24	669	8.95
25-44	1,438	19.23
45-54	1,223	16.35
55-59	1,365	18.25
60-64	569	7.61
65-74	226	3.02
75-84	47	0.63
85 and over	29	0.39
	<u>7,478</u>	<u>100.00</u>

Median age: 32.7 Years

Sources: 1990 U.S. Census, 1982 and 1984 U.S. Census estimates,
and estimates based on building permits and city projections.
Factfinder.census.gov - Census 2000 Summary File 3 (SF3)

Schedule 22

Park City Municipal Corporation, Utah

Transient Room Capacity as a Percentage of Population

Last Six Fiscal Years

<u>Fiscal Year</u>	<u>Transient Room Capacity</u>	<u>Park City Population</u>	<u>Resort Percentage</u>	
1999	16,941	6,500	261	%
2000	18,117	6,500	279	
2001	19,473	7,371	264	
2002	19,779	7,371	268	
2003	24,714	7,478	330	
2004	24,714	7,478	330	
2005	25,133	7,882	319	

Source: Park City Chamber/Visitors Bureau

Schedule 23

Park City Municipal Corporation, Utah

Historical Pledged Taxes

Last Six Fiscal Years

Fiscal Year	Pledged Sales & Use Taxes	% Change From Prior Year	Pledged Resort Tax(2)	% Change From Prior Year	Total Pledged Taxes	% Change From Prior Year
1996	\$ 2,536,434	(0.7) %	\$ 2,207,158	15.1 %	\$ 4,743,592	6.0 %
1997	2,703,699	6.6	2,435,182	10.3	5,138,881	8.3
1998	2,800,917	3.6	2,587,656	6.3	5,388,573	4.9
1999	2,930,353	4.6	2,552,606	(1.4)	5,482,959	1.8
2000	3,010,970	2.8	2,644,765	3.6	5,655,735	3.2
2001	3,178,411	5.6	3,036,680	14.8	6,215,091	9.9
2002	3,707,373 (1)	16.6	3,136,399	3.3	6,843,772	10.1
2003	3,213,567	(13.3)	3,039,168	(3.1)	6,252,735	(9.5)
2004	3,400,877	5.8	3,158,783	3.9	6,559,660	4.9
2005	3,892,401	14.5	3,954,810	25.2	7,847,211	19.6

(1) Fiscal Year 2002 reflects a one-time increase in revenue due to the Olympics.

(2) Pledged Resort Taxes reflect revenue figures equal to 75% of the total revenues collected pursuant to the City's levy of the 1% Resort Communities Tax (comprising the Pledged Resort Taxes). The City has previously earmarked 25% of the total of such revenues to transit-related projects and improvements.

Schedule 24
Park City Municipal Corporation, Utah
Operating Indicators by Function
Last Two Fiscal Years

<u>Function</u>	<u>2004</u>	<u>2005</u>
Police		
Physical arrests	699	652
Parking violations	369	460
Traffic violations	1,380	1,631
Public works		
Street resurfacing (miles)	6,000	6,000
Potholes repaired	150	150
Water		
Number of customers	4,637	4,706
New connections	76	95
Water main breaks	25	11
Average daily consumption (thousands of gallons)	4,076	3,764
Peak daily consumption (thousands of gallons)	7,144	7,199
Average monthly billings (3/4" meter)	\$24.98	\$21.36
Residential billing rates		
Base rate (per 3/4" meter)	10.80	15.55
Base rate (per 1" meter)	14.58	21.00
Base rate (per 1-1/2" meter)	17.28	24.89
Rate per 1,000 gallons (winter months only)	1.89	1.94
Commercial billing rates		
Base rate (per 3/4" meter)	14.04	20.22
Base rate (per 1" meter)	23.76	34.21
Base rate (per 1-1/2" meter)	50.76	73.09
Base rate (per 2" meter)	105.84	152.40
Base rate (per 3" meter)	275.40	396.58
Base rate (per 4" meter)	500.04	720.06
Base rate (per 6" meter)	942.84	1,357.69
Base rate (per 8" meter)	1,623.24	2,337.47
Rate per 1,000 gallons	1.89	2.72
Building activity		
Building permits issued	894	989
Number of residential units	125	247
Residential value (in thousands)	47,731	75,681
Commercial value (in thousands)	16,436	11,985
Parks and recreation		
Racquet club passes	2,625	2,539
Golf rounds	29,977	25,512
Library		
Total volumes borrowed	68,887	77,798
Circulation per capita	9	10
Transit		
Total route miles	692,000	946,600
Passengers	1,457,897	1,622,618

Sources: Various City departments.

Note: Indicators are not available for the general government function.

Schedule 25
Park City Municipal Corporation, Utah
Capital Asset Statistics by Function
Last Two Fiscal Years

<u>Function</u>	<u>2004</u>	<u>2005</u>
Area (sq miles)	13	13
Police station	1	1
Transit buses	25	32
Public works		
Streets (lane miles)	106	109
Streetlights	515	515
Water		
Fire hydrants	855	855
Water mains (miles)	110	110
Storage capacity (thousands of gallons)	11,650	11,650
Recreation and culture		
Acreage	199	199
Parks	36	36
Covered picnic areas	6	4
Tennis courts	13	13
Soccer fields	4	4
Baseball diamonds	7	7
Library	1	1
Volumes in library	51,181	53,991
Golf course	1	1

Note: Fire protection is provided by the Park City Fire District.
Sources: Various City departments.

Schedule 26
Park City Municipal Corporation, Utah
Redevelopment Project Area
Market and Taxable Value Trends
Last Ten Fiscal Years

<u>FISCAL YEAR</u>		<u>TAXABLE VALUE</u>	<u>% CHANGE FROM PRIOR YEAR</u>		<u>MARKET VALUE</u>	<u>% CHANGE FROM PRIOR YEAR</u>
1996	\$	125,469,022	16.4 %	\$	138,577,717	22.6 %
1997		167,612,359	33.6		187,657,834	35.4
1998		183,482,775	9.5		207,436,807	10.5
1999		228,494,076	24.5		244,205,621	17.7
2000		219,099,368	(4.1)		241,223,670	(1.2)
2001		239,485,327	9.3		261,609,629	8.5
2002		314,084,599	31.1		336,208,901	28.5
2003		353,481,561	12.5		337,954,192	0.5
2004		346,514,365	(2.0)		377,330,745	10.4
2005		362,263,842	4.5		374,724,724	(0.7)

(Source: Report of Fiscal Consultant)

Schedule 27

Park City Municipal Corporation, Utah

Redevelopment Project Area

Historical Tax Increment Revenues

Last Ten Fiscal Years

FISCAL YEAR	TAXABLE VALUE	ADJUSTED BASE YEAR TAXABLE VALUE	INCREMENTAL TAXABLE VALUE	COMPOSITE TAX RATE	GROSS TAX INCREMENT REVENUE	% STATUTORY ALLOCATION	TAX INCREMENT REVENUE
1996	\$ 125,469,022	\$ 74,647,999	\$ 50,821,023	0.013169	\$ 669,262	100 %	\$ 669,262
1997	167,612,359	74,647,999	92,964,360	0.011442	1,063,698	80	850,959
1998	183,482,775	74,647,999	108,834,776	0.011820	1,286,427	80	1,029,142
1999	228,494,076	71,761,869	156,732,207	0.009626	1,508,704	80	1,206,963
2000	219,099,368	71,761,869	147,337,499	0.010750	1,584,320	80	1,267,456
2001	239,485,327	71,763,238	167,822,089	0.010405	1,746,189	80	1,396,951
2002	314,084,599	62,676,363	251,408,236	0.010077	2,533,333	75	1,900,000
2003	353,481,561	62,676,363	290,805,198	0.010100	2,937,133	75	2,193,500
2004	346,514,365	62,676,363	283,838,002	0.010208	2,897,418	75	2,173,064
2005	362,263,842	62,676,363	299,587,479	0.010261	3,074,067	75	2,305,550

(Source: Report of Fiscal Consultant)

Schedule 28
Park City Municipal Corporation, Utah
Schedule of Insurance in Force
As of June 30, 2005

<u>COMPANY & COVERAGE TYPE, POLICY #</u>	<u>LIMITS</u>	<u>EXPIRATION</u>	<u>PREMIUM</u>
LLOYDS OF LONDON (Property Coverage) DZ001805	\$ 44,240,560	1/1/06	\$ 37,832
TRAVELERS (Crime Policy), 103884093	\$ 525,000	1/1/08	\$ 3,589
UTAH LOCAL GOVT TRUST (Workers Compensation), ULGT 1621.0	\$ 1,000,000	1/1/06	\$ 114,256
STATES (Excess Liability, Automobile Liability, Employment Practice Liability, Law Enforcement Liability, and Error of Ommission Liability), SEL 30157 02	\$ 5,000,000	1/1/06	\$ 115,660
ZURICH AMERICAN INSURANCE (Property Damage, Business Income/Extra Expense) BM5341970	\$ 10,000,000	1/1/06	\$ 5,187

Schedule 29

Park City Municipal Corporation, Utah

Five-Year Financial Summaries

Last Five Fiscal Years

Fiscal Year Ended June 30 (1)

	2005	2004	2003	2002	2001
ASSETS					
Cash, cash equivalents and investments held by city	\$ 56,190,670	\$ 50,040,922	\$ 53,745,036	\$ 48,628,050	\$ 58,868,975
Cash and investments held by fiscal agent	21,357,430	10,048,142	6,585,653	-	-
Investments	-	-	-	5,895,045	383,539
Receivables (net of allowance for uncollectibles):					
Taxes	12,548,445	12,373,018	11,046,825	497,576	188,610
Accounts	1,414,622	1,091,510	1,370,601	500,523	890,092
Due from other funds	-	-	-	-	119,365
Notes receivable	1,427,672	1,286,541	1,337,869	1,425,562	1,627,733
Inventories	526,515	551,840	544,736	561,694	571,312
Prepays	405,600	390,000	375,000	200,000	-
Restricted assets					
Cash and cash equivalents	7,371,081	-	-	1,667,987	1,679,966
Land and building held for resale	763,038	763,038	-	-	-
Land and water rights	70,145,146	68,146,932	61,167,811	41,569,645	35,279,620
Infrastructure (2)	27,958,775	79,079,677	77,434,155	-	-
Buildings and improvements (2)	9,287,667	14,587,029	14,442,733	57,336,769	54,388,031
Improvements other than buildings (2)	24,694,249	48,713,477	46,388,378	-	-
Art	318,559	192,694	109,214	-	-
Vehicles and equipment (2)	5,673,060	14,452,253	14,284,145	13,215,325	12,283,574
Construction in progress	7,685,086	1,818,812	1,157,789	-	-
Accumulated depreciation and amortization (2)	-	(88,972,231)	(82,058,750)	(21,955,339)	(20,798,430)
Unamortized bond issuance costs	727,226	559,728	564,937	24,408	35,195
Amount available in debt service funds	-	-	-	6,450,098	16,468,166
Amount to be provided for retirement of general long-term obligations	-	-	-	25,181,825	16,305,033
Total assets	\$ 248,494,841	\$ 215,123,382	\$ 208,496,132	\$ 181,199,168	\$ 178,290,781
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,293,873	\$ 743,469	\$ 707,261	\$ 957,269	\$ 1,224,258
Accrued liabilities	1,078,225	1,109,560	1,211,362	1,664,180	831,782
Deposits	425,000	594,261	594,261	2,149,802	2,315,092
Unearned revenues	12,392,246	12,223,439	10,431,854	1,361,406	1,499,422
Due to other funds	-	-	-	-	119,365
Note payable	90,922	121,676	150,759	178,262	88,157
Compensated absences	440,100	-	-	-	-
Contracts payable	731,543	900,043	1,847,613	2,241,923	1,033,199
General obligation bonds	20,024,111	12,300,000	8,155,000	8,760,000	9,440,000
Revenue bonds	33,104,590	23,382,000	26,494,000	23,577,215	25,961,321
Total liabilities	70,580,610	51,374,448	49,592,110	40,890,057	42,512,596
Equity and other credits					
Contributed capital	-	-	-	24,357,957	24,357,957
Investment in capital assets	115,632,656	107,466,108	107,025,766	54,516,762	47,429,593
Retained earnings					
Reserved for water development	1,014,890	-	-	1,447,228	1,447,228
Reserved for repair and replacement	-	-	-	95,724	95,724
Reserved for capital projects	25,766,243	6,717,721	-	-	-
Reserved for debt service	1,547,378	2,930,421	-	125,035	137,014
Unreserved	-	-	-	23,299,119	21,883,417
Fund balances					
Reserved for debt service	-	-	-	3,429,594	3,330,986
Unreserved					
Designated for debt service	-	-	-	3,020,504	13,137,180
Designated for capital improvements	-	-	-	21,171,290	16,264,272
Undesignated	33,953,064	46,634,684	51,878,256	8,845,898	7,694,814
Total equity and other credits	177,914,231	163,748,934	158,904,022	140,309,111	135,778,185
Total liabilities and fund balances	\$ 248,494,840	\$ 215,123,382	\$ 208,496,132	\$ 181,199,168	\$ 178,290,781

(1) Because of changes in accounting principles beginning Fiscal Year 2003, prior financial information may not be comparable.

(Source: Information extracted from the City's fiscal years ended June 30, 2001 through 2005 general purpose financial statements)

(2) Capital assets in Fiscal Year 2005 are shown net of accumulated depreciation.

**SINGLE AUDIT, INTERNAL
CONTROL AND
COMPLIANCE REPORTS**

Park City Municipal Corporation



Park City Municipal Corporation

Supplementary Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Federal Grantor Agency or Pass Through Entity	Federal CFDA Number	Grant Number	2005 Expenditures
U.S. Department of Transportation			
Pass Through Utah Department of Transportation - Formula Grants for Other Than Urbanized Areas	20.509	UT-18-X020	\$ 216,052
	20.509	UT-18-X021	262,000
	20.509	UT-18-X022	343,662
	20.509	UT-18-X023	455,752
		Subtotal	1,277,466
Direct - U.S. Department of Transportation	20.500	UT-03-0049	1,053,522
Direct - U.S. Department of Justice			
Bulletproof Vest Program	16.607	452022006	3,805
Department of Housing and Urban Development			
Pass Through Utah Department of Community and Economic Development	14.228	042220	13,544
Department of Homeland Security			
Pass Through Utah Department of Emergency Services	16.007	DES-2004-SHSP-002	39,823
U.S. Department of Agriculture			
Conservation Reserve Program	10.069	UT- 49043-189	1,044
Total Federal Awards			\$ 2,389,204

PARK CITY MUNICIPAL CORPORATION, UTAH

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

1. BASIS OF ACCOUNTING

The supplementary schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources.

2. REPORTING ENTITY

For purposes of the supplementary schedule of expenditures of federal awards, Park City Municipal Corporation includes all the funds of the primary government as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

PARK CITY MUNICIPAL CORPORATION, UTAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2005

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No reportable conditions relating to the audit of the major federal award programs are required to be reported.
5. The auditor's report on compliance with requirements applicable to major federal award programs expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs include:

U.S. Department of Transportation CFDA number 20.500
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The City did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

WISAN, SMITH, RACKER & PRESCOTT LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
Park City Municipal Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park City Municipal Corporation, Utah (the City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated October 21, 2005.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah
October 21, 2005



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WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
Park City Municipal Corporation, Utah

Compliance

We have audited the compliance of Park City Municipal Corporation, Utah (the City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah
October 21, 2005

Wison Smith Rubin & Prescott LLP

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH THE STATE OF UTAH
LEGAL COMPLIANCE GUIDELINES**

Honorable Mayor and Members of the City Council
Park City Municipal Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park City Municipal Corporation, Utah (the City), for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. As a part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah:

- B & C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements. (However, these programs were subject to testwork as part of the audit of the City's financial statements):

- EMS - Contracts/Grants (Department of Health)
- Emergency Management (Department of Public Safety)
- Victims of Crime Assistance (Office of Crime Victim Reparations)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees
- Asset Forfeiture

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Park City Municipal Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Salt Lake City, Utah
October 21, 2005

Wesley Smith, Auditor & President CIP

WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

October 22, 2005

To the Mayor, City Council, and Management
Park City Municipal Corporation

In planning and performing our audit of the financial statements of Park City Municipal Corporation (the City) for the year ended June 30, 2005, we considered its internal control structure in determining our auditing procedures. We do this for the purpose of expressing our opinion on the financial statements rather than to provide assurance on the internal control structure. We did not note any matters involving the internal control structure and its operation which we consider to be material weaknesses under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

We performed testing for compliance with particular State compliance matters as dictated by the State of Utah Legal Compliance Audit Guide. In addition, certain testing was performed to satisfy the requirements of *Government Auditing Standards*. In connection with the testing to satisfy State and Federal requirements, we issued separate reports as required by those standards. No significant exceptions were noted. We did note the following immaterial instances of noncompliance:

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LICENSED TO PRACTICE IN UTAH, WYOMING, NEVADA, NEW MEXICO AND IDAHO



AN INDEPENDENT MEMBER OF BDO SEIDMAN ALLIANCE

Finding

Utah State Code states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund." The City's expenditures exceeded the budget in the following department:

<u>Department</u>	<u>Amount Expenditures Exceeded Budget</u>
Public Safety	\$57,996

Recommendation

We recommend that the City more closely monitor expenditures in all departments and funds to ensure compliance with the Utah State Code.

Response From Management

We agree with the finding. In the future, management will ensure that actual expenditures do not exceed revised budgetary amounts.

We appreciate the cooperation and assistance we have received from the City's personnel in connection with the audit and in developing these recommendations.

This report is intended solely for the information and use of the management of Park City Municipal Corporation and is not intended to be and should not be used by anyone other than the specified party. However, this report is a matter of public record and its distribution is not limited.

Wisan Smith Racker & Prescott, LLP

Wisan, Smith, Racker, & Prescott, LLP